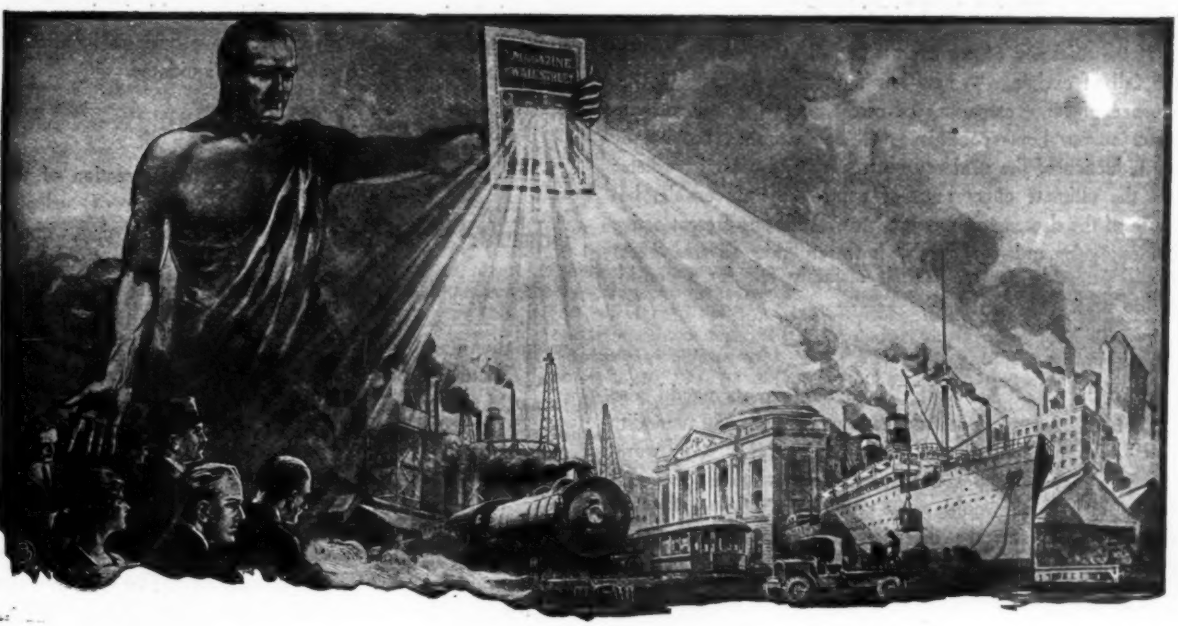


THE OUTLOOK

Business Prosperity Illustrated By Steel Earnings—Exports Likely to Fall, and the Result—Effect of High Money—The Market Prospect

THERE has been no essential change in fundamental economic conditions during the past fortnight. The situation continues to be marked by a contest between good business, with an active demand for goods, and a scarcity of capital and credit sufficient to keep us balancing on the edge of inflation.

Good evidence of the general prosperity of business is furnished by earnings in 1919 of 10 per cent. for U. S. Steel common and 20 per cent. for Bethlehem Steel. As the steel business was decidedly dull during the early part of the year and had to contend with a strike in the last half, this showing of profits is very gratifying. In the main, it is typical of the results being obtained by a majority of enterprises in nearly all lines of business.

On the other side of the ledger, money rates continue high and cannot be expected to become materially lower in 1920, except perhaps for relatively short periods. It is already evident that a more general advance in rediscount rates will sooner or later be necessary, preferably sooner. No one, whether banker or business man, should expect to borrow at less than 6 per cent. under present conditions of world-wide scarcity of capital, and the effort of the Federal Board to maintain lower rates on certain classes of paper seems ill-advised.

BREAK IN FOREIGN EXCHANGE

THE further drop in foreign exchange rates is discussed in a special article in this issue, but there are so many angles to the subject that it is difficult to cover them all. Attempts to relieve the situation and maintain our export trade by extension of credits abroad are making very slow progress. United States Government action in this direction seems now out of the question, except in a very limited way for the relief of distress abroad. Private bankers lack the necessary capital for the purpose and the public takes little interest in the matter.

Europe is itself beginning to realize that its only salvation lies in the creation of new wealth, rather than in further borrowing. The Finances of Soviet Russia, for example, are figured by a Swiss correspondent as follows: "First half of 1918, income 2.9 billion rubles, expenses 17.6 billion; second half of 1918, income 12.7 billions, expenses 29.1; first half of 1919, income 20.4, expenses 50.7. This "income" was of course mostly the product of the printing press, and the tripling of expenses was a natural result of the depreciation of the currency thus ground out to order.

Other European nations have been following the same plan, though to a much less degree. It would be not only bad business for us, but bad for the whole world, if loans of credit

from America were to be used to encourage inflation in Europe; but it should be possible for us to surround our loans with such safeguards as to avoid that effect.

If the tendency of our exports to fall off is accelerated by the fall of exchange to new low figures, as it will be in the absence of large extensions of credit abroad, the immediate effect on our home conditions will be favorable, because of the reduction of the strain on our money and capital markets; but the ultimate effect must of course be unfavorable, because of the decrease in our exports. With our present active domestic demand for goods, however, this adverse effect would probably not make itself seriously felt for a considerable time.

* * *

COMMODITY PRICES

A CHECK to our exports would also check the upward flight of commodity prices and the H. C. of L. Our warehouses hold some accumulations of goods for export, which would grow smaller with lessened export demand, permitting the diversion of goods into our home markets.

The higher interest rates are also having some effect in holding commodity prices from any further advance, because they discourage speculative purchases of goods; and a general 6 per cent. rate for rediscounting, a consummation devoutly to be hoped, would have a further effect in this direction. At the same time, since both retailers and wholesalers now have but light stocks of goods on hand, no early fall of commodity prices is to be expected. It will take increased production to achieve that, and the increase will come slowly, though certainly.

Buyers of goods now show more disposition to order ahead, a condition that naturally precedes the accumulation of stocks of goods on hand. But it will take some time to build up supplies.

In general, a somewhat lower range of commodity prices seems to us inevitable, but it might be preceded by some further advance before the top is reached. We believe, however, that buyers of merchandise should be cautious about stocking up ahead. It is true throughout the country that the most liberal buyers of goods for consumption are not the families of established wealth and standing, but wage earners and the newly rich.

* * *

EFFECT OF HIGH MONEY

THE prevailing high money rates discourage investment in bonds and preferred stocks, and it is entirely possible that prices of securities of this grade may still work a little lower. Nevertheless, with an eye to the longer future, such securities, if well selected, carry an assurance of eventual profit.

Undoubtedly the price of money, as represented in interest rates, has risen fundamentally because of the great destruction of capital in war, just as other prices have risen. The public mind has become accustomed to these higher rates and they will not have as much effect in checking activity as would have been the case before the war.

Even higher rates than those now prevailing would not, in our opinion, have much effect on general business until stocks of goods begin to accumulate. They would simply prevent a dangerous inflation. We cannot have business liquidation until there are stocks of goods to be liquidated.

* * *

THE MARKET PROSPECT

IN general, the industrial section of the market is in the position of ardently wishing to advance, but being without the necessary fuel in the form of bank loans. Liquidation has been so thorough that no serious further decline is probable, and any check to commodity speculation and business inflation resulting from higher money rates should bring a somewhat better supply of funds for call loans. In the mean time, we expect a gradual accumulation of stocks by investors who are fortunate enough to be independent of borrowed money and by those who have business profits to invest.

The steels are in an especially good position, with the industry operating close to 90 per cent. of capacity and prices of its products showing a rising tendency. The coppers have been so heavily liquidated that their present price valuation is conservative. The same may be said of the rails, though their immediate prospects are dependent largely upon the legislative outlook, discussed elsewhere in this issue.

Tuesday, February 3, 1920.

While the action of the Federal Board is raising the rediscount rates in Eastern and Central territory to 6% on commercial paper and 5½% on paper collateraled by Liberty Bonds is a step in the right direction, it does not go far enough. It offers a strong inducement to the banks to substitute Liberty Bonds and Treasury certificates (for which the rediscount rates remains at 4¾%) for commercial paper in their rediscount operations. In last week's bank statement this shift took place to an extent of about $112,000,000 at the New York Federal Bank.

We are thus moving in a direction exactly opposite to that most desired. What is needed is the rapid elimination of loans based on Government securities, which for the most part represent dead credit where commercial paper represents living credit.

The reasons for discrimination in favor of loans based on Government Bonds have disappeared. Even on the Treasury certificates it would be decidedly better for the Government to pay the full current interest rate, if necessary, instead of favoring loans on the certificates by a lower rediscount rate.

In order to check the speculative element in general business, a 6% rediscount rate on all classes of paper and in all sections of the country will be found necessary before effective results are obtained.—G. C. Selden.

James Speyer on Money and Railroad Problems

He Views the International Situation, the Cummins and Plumb Bills, Labor Questions, Etc. —Story of His Career

Interviewed by **FRANCIS J. OPPENHEIMER**

"I CONSIDER Collis P. Huntington to have been one of the most constructive Americans," James Speyer, senior member of the international financiers, Speyer & Co., volunteered to me, glancing up at the same time to a photograph hanging over his desk. "He had vision."

Like everyone else, I was familiar with the fact that this historic concern had banked "Collis P.'s" gigantic Central & Southern Pacific railway dreams, and fearing that some elaboration on *How the West Was Developed,* or some other perfectly good academic topic, was to follow, I veered away from the picture with the blithe remark:

"Many of us have a vision, Mr. Speyer, but few of us are fortunate enough to find anyone who will pay the freight on it." The smart Aleck compliment made an opening, and detecting the opportunity, I pressed my weary victim for some concrete expression regarding the likelihood of securing more capital for the reconstruction of Europe, and for our own native industries. I may say that "Jimmy" Speyer is the fastest *listener* I've ever tackled.

What Europe Needs.

"Due to the destruction of property caused by the war, and because of the great demand being made for it by our own industries, and from European countries, money is bound to remain high," he proceeded cautiously. "And as soon as money begins to look 'easy,' governments, especially European governments, will withdraw their paper to reestablish their credit and currency. And though I expect America will eventually absorb European securities, I do not believe that the salvation of Europe rests exclusively on an extension of credits. This seems to be unduly emphasized by many.

"What Central Europe needs is raw materials. With the depreciation of the exchange rates money is of little value to the war worn nations. The kronen is not worth a cent literally and the mark not worth much more for purchases outside their own countries.

"The ice broken," Mr. Speyer elaborated. "The Peace Treaty makes no provision for the economic reconstruction of Europe. The diplomats have been at their old game of slicing up Europe but they have created no substitutes for the old economic units.

"The whole world seems to be suffering from nervous strain and economic exhaustion," continued Mr. Speyer, deviating from his well known optimism, "and the outlook certainly is fraught with danger. In order to win the war, each government had to keep its own people keyed up to a high pitch. Many vague and specific promises for a better state of affairs were made, but alas, many a hope thus awakened is doomed to disappointment. There are as there always have been, false leaders who use such dissatisfaction and unrest for their own purposes, just as there will always be some who remain blind to the signs of the times in which they live and fail to recognize changing conditions.

James Speyer

"It must, however, be clear to anyone who stops to think, that the high cost of living can surely not be overcome by any curtailment of production, be it through strikes or shortening of hours. Wrong remedies these, and bound to bring wrong results. It would indeed be a misfortune for the workers themselves, and for our own country, if the radical element were to prevail now, if only for a short time. But I do not believe it will. Whatever may happen in other countries, it will not happen here. I have too much faith in the common sense of the American people."

One of Mr. Speyer's special "outside" interests is the safety movement. He is in fact treasurer as well as chairman of the finance committee of the Safety Institute, and believes that teamwork between capital and labor can be secured through safety and health measures, saying: "There is no twilight in this zone. When men once find that they agree on certain aims and measures it does not take very long to have them discuss other and more difficult points, like hours of work and wages, and to recognize one another's legitimate aspirations, their rights and mutual obligations.

"The relations between capital and labor can never be adjusted by the suppression of the right of free speech on the one side, or by the destruction of property on the other. We Americans will insist that everyone shall be free to work where and as he chooses, and that the savings and property of every citizen, large or small, shall be protected against attack from whatever source."

Rights of the R.R. Investor

The railroads are going to be restored to their owners on the first of next March, so I asked Mr. Speyer, as a Director of the B. & O. and the C. R. I. & P., for some comment on the situation.

Last November the roads gave the poorest return in their history.

"We cannot become the financial power of the world if the confidence of our own investors in our own securities is destroyed," he began. "Nor is our country gaining anything by the fact that the railroads are still being used as a pawn by the political parties. In fact the solution of this vexed problem has been made a phase of the so-called struggle between capital and labor. The passage in the House of the Esch bill, and in the Senate of the Cummins bill, makes this very evident.

"Certain labor leaders and others who think that the best way to serve the country is to oppose property rights are objecting to Section 6 of the Cummins bill which insures a definite fixed rate return on the capital invested. The section that forbids strikes among railroad employees also comes in for severe criticism. The matter of a fixed rate of return, in my opinion, is one of the most urgent problems before the country, and should be fairly solved before the properties are permanently returned to their owners. How, I ask you, can the enormous sums necessary for the maintenance and development of our transportation systems be raised, unless definite, stable guarantee of income and return on such necessary capital is provided by law? Without such capital what will become of the future growth of our railroad system and the development of our commerce and industry?"

"What about the Plumb plan?" I broke in.

"The Plumb plan might not be a bad thing at all for investors, but I do not think it would be a very good thing for the country at large on account of its political consequences. It might mean, among other things, higher wages and higher deficits, to say nothing of the extravagance or mismanagement that are likely to follow in their trail. There would be huge deficits, without question. Everybody would want to ride free, and the shortage would have to be made up by new staggering Federal taxes. Everyone interested in the maintenance of railroad credit, will agree with me that some such provision as Section 6 of the Cummins bill is essential.

"Why have investors lost confidence in railroad securities? That's plain enough. As now prescribed, there's no definite rule in law for fixing what is a 'just and reasonable rate' to produce and maintain 'a fair return.' Nor have the government bodies in the last decade given much effective consideration regarding how the owners of railroads could make both ends meet. A great opportunity now is with our lawmakers.

"During this same period, repeated and, need I say, successful efforts have been made by class interests to prevent any increase in rates and to raise wages. Due to these facts and many onerous rules and regulations, roads formerly solvent and honestly managed, have become insolvent. Innocent investors on the other hand have suffered very heavy shrinkage of their investments and frequently have been deprived of the moderate income on their savings at the very time when they urgently needed it, and at a time when in all fairness, on account of the high cost of living, they were as much entitled to an increased income as was labor.

"By laying stress on the genuine or apparent mistakes, or cases of breach of trust by a few of those in charge of railroad management in the past, the persistent, if unwarranted attacks made on legitimate investment and property rights are excused. This is really what you might call a 'smoke screen' to becloud the railroad problem and to hide behind it the true facts and intentions. Surely the mistakes or misdeeds of a few (who if really guilty should be punished), were no more excuse for unfair treatment of railroad investors than would the mistakes or abuses of a few labor leaders be an excuse for denying to railroad employees an increase in wages to which they might be entitled."

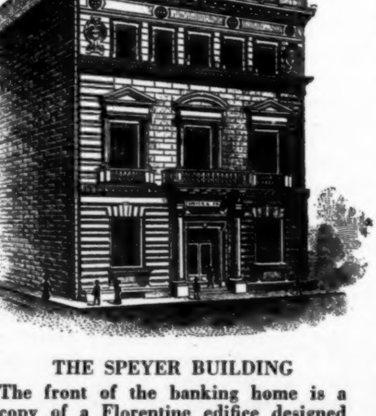
How Speyer & Co. financed the Central & Southern Pacific Railroads forms a big chapter in American railway history, just as its handling of the loan for the North during the Civil War occupies a place in the history of our nation. This concern also took the first $35,000,000 loan to put the baby Cuban Republic on its feet and banked the Philippine Island railroads. It raised the money to build the London subways or what they call "tubes" over there. Mr. Speyer also "discovered" the man to handle this intricate problem for the Londoners, in Albert, now "Sir" Albert Stanley. From managing the car systems of Hoboken and Detroit, this American railroad man has been rushed into a peerage and as President of the British Board of Trade, was one of Premier Lloyd George's right hand men in the Cabinet during the war.

Speyer and Company have been in many Mexican and other enterprises, but we're getting too far south. There's enough color and romance in the bare records of this international banking house for a couple of South Sea Island yarns, providing one possess the imagination of a Stevenson or a Kipling.

"It is not enough that today the United States is the richest, and perhaps the most powerful nation. If we want to have real weight and use our full influence for peace and humanity in the future, we must show to the other nations of the world, first of all, that we will not tolerate mob law here, and that we are able to make orderly progress ourselves. We have to give a living example of the real spirit and discipline of a true democracy. If we want to help maintain order and peace abroad, we must show them that we can maintain honor and peace at home."

But subtler gifts than those of a narrator are required to interpret the complex personality of this mellow man of the world who heads the concern. No Horatio Alger is James Speyer. And that makes it rather difficult for any biographer with a penchant for dramatizing the head lights of a career. Mr. Speyer did not rise from butcher boy to bank president for success has been a custom, even a tradition with this old family which has been in the banking business for hundreds of years.

Nor is there anything insular about Mr. Speyer. He has his ear on the ground of London and Paris as well as Wall Street and you feel his cosmopolitanism as soon as you enter his stately office located in the beautiful building occupied by the bank opposite the Sub-Treasury. He is not like some prominent New Yorkers, who apparently think the world is bounded on the north by the Polo Grounds and on the south by Coney Island.



THE SPEYER BUILDING
The front of the banking home is a copy of a Florentine edifice designed by Raphael

Taking the Harm Out of Harmony

But if Mr. Speyer's manner seems retreating, don't fool yourself; he's just "riding with the punch" as they say in the ring. Then, too, he's "quick on the trigger." Take, for instance, the time when at a proposed "deal," the other side asked him to make certain concessions in the interests of harmony. Under the terms indicated, his clients would suffer considerable loss. When asked his opinion, Mr. Speyer said he surely was in favor of "harmony" providing the *harm* was taken out of it."

To get down to cases.

"Jimmy" Speyer was born in New York during the first year of the Civil War, and taken back as a lad to the home of his family, the Free City of Frankfort-on-the Main, for a thorough European education. After being apprenticed out to the London and Paris branches of the firm, he set sail for his native land. America, which he proved he loved, when in 1915, he sweated around the Plattsburg Training Camp as a doughboy.

Jay Gould, the elder Morgan and James J. Hill were the heavyweight money champions in those days—this was over thirty-five years ago—and "Jimmy's" first "star" bout was with no other than old Jay Gould himself, of whom he says, he "has nothing against him." I do not invent, I do not comment; I record.

Anyhow, this natty looking young man (to-day at sixty he's one of the most correctly dressed men about town), won his point,—something relative to the reorganization of the St. Louis and Southwestern Railroad Co. This victory over so prominent a financier, brought young Speyer to the attention of Collis P. Huntington, who was gunning for money. The two got together, or rather were drawn together. It seemed like the hand of Fate. How Speyer succeeded through his European connections, in raising the millions necessary to lay these historic arteries of commerce, clearing off the government indebtedness of these roads as well is now a matter of Street history.

Mr. Speyer is what you could call a champion of labor, that is, in the old. polished way. He told me he was a "liberal," an expression which somehow or other always suggests its very antithesis. Spite of the fact that Mr. Speyer questions the deportations by the government recently of the reds without a trial, that he favored parcels posts, and postal savings, that he urged the railroads not to fight the Interstate Commerce Commission, I'll wager he can write a charming essay on *The*

(Continued on page 438)

Reasons for a Permanent Merchant Marine

Shipping Progress Since the War—Trade Routes Established—New Problems Encountered—Congressional Action Needed

By JOHN BARTON PAYNE
Chairman U. S. Shipping Board

IF the American people are to maintain their present high standards of living and retain even approximately their present position in finance and trade, our annual surplus must be sold in foreign markets. We cannot do this without ships—ships owned and controlled by Americans, flying the American flag into every port of the world.

Prior to our entrance in the war in April, 1917, we had few ships, few ship yards and only a small number of people engaged in the business of shipping. It is interesting indeed to know our actual progress since then. For the war has given us ships.

In April, 1917, there were in the United States only 61 ship yards, with 234 ways in which vessels of 3,500 deadweight tons could be constructed. In November, 1918, when the armistice was signed, this number had increased to 223 yards, with 1,099 ways.

The urgent need of ships made it apparent that the efficiency sought could best be obtained by the Government controlling ships, through the power of requisition, and providing for their operations, in the majority of cases, by those persons and organizations who knew the shipping business. It was believed that this would not only conserve tonnage, but likewise result in reducing the cost of the service, and in securing the patriotic cooperation of the American steamship owners.

War Construction

On August 3, 1917, the first general step was taken when all hulls and materials in American shipyards intended for use in constructing steel vessels of 2,500 deadweight tons or over for private and foreign owners, were requisitioned. This affected 431 vessels of a total of 3,056,000 deadweight tons.

The United States Shipping Board Emergency Fleet Corporation launched 106 ships in 1917, totalling 708,970 deadweight tons. Of these it delivered complete 49 vessels, amounting to 302,115 deadweight tons. In 1918, the Emergency Fleet Corporation launched 812 ships, amounting to 4,244,126 deadweight tons, and delivered to the Shipping Board 532 of these ships completed, representing a deadweight tonnage of 3,026,006. In 1919 we launched 1,065 ships, representing 5,982,277 deadweight tons, and actually delivered 1,181 ships with a tonnage of 6,385,123 deadweight. There remains of the war construction program 534 ships of 3,661,767 deadweight tons. A large percentage of these will be delivered by August, 1920.

Besides these, we purchased or contracted for the building in Japan of 45 ships of 372,023 deadweight tons. The total of these Japanese ships actually delivered and in service, up to the first of the year, is 18, of 148,323 deadweight tons.

These activities and the taking over of German and Austrian cargo tonnage have given the United States 8,700,917 deadweight tons of steel ships, 1,799,123 deadweight tons of wooden ships; 63,000 deadweight tons of composite and 10,000 tons of concrete ships, a total tonnage of 10,573,040 deadweight, excluding the 3,661,767 tons to be completed in 1920.

We have lost, reconveyed to former owners or sold 194 ships, representing 1,274,371 deadweight tons. Some of the ships now in operation we will sell for use by foreign flags, but the fleet as a whole, representing 1,688 ships of 9,298,669 deadweight tons, will be operated under the United States flag as a permanent merchant marine, and will be available to serve the trade routes of the world.

The demand for ships to win the war—ships to carry men and food to France—was so imperative, and so pressing, that passenger ships, as such, were not considered. Questions of this kind, however important, were compelled to wait. The result is we have much less passenger tonnage than we need, and much less than we would have had, had our fleet been built under peace conditions. Twenty-six new passenger ships have been contracted for. The Shipping Board now has two ex-German passenger ships which were formerly used to transport troops, but these will not be available for passenger service until they have been reconditioned.

It is the hope of the United States Shipping Board that there will ultimately be established a permanent American Merchant Marine resting on private enterprise and private capital. The problem of establishing it presses for solution. No question of Government ownership is involved. The question is not between public and private ownership, but between American and foreign ownership.

Now, the chief concern is to establish a merchant marine. This cannot be done in a day. Ships alone will not do it. Indeed, unless we have men, money and brains in the shipping business, ships may become a liability instead of an asset. How, then, may a merchant marine be established? Legislation will materially aid, but it requires time, habit, growth and individual capacity, initiative and enterprise in addition to laws. Until the country grows into the ship habit so that our people think and act in the language of shipping, our problem will continue without solution.

Congress should pass a mortgage bill substantially like the one now before the Merchant Marine and Fisheries Committee, to guarantee investors a lien for the purchase price of the ships which will, in financial circles, have as much value as a railroad mortgage, and investment bankers and the public may freely invest in ship securities.

American Marine Insurance is essential. Companies must be encouraged and new ones established, that we be not dependent on foreign companies for our ship insurance, as we are now.

To the end that in all technical matters affecting shipping we may be independent of any foreign institution, the American Bureau of Shipping must be developed and strengthened.

These are the high lights. Let us see what the actual conditions are from the operating point of view.

Present Conditions

There are approximately 160 operating concerns who are acting as direct agents for the United States Shipping Board, receiving a commission for their work. Ships are assigned to them from time to time, adding to the strength of individual fleets.

The Shipping Board takes the position that in order to have a permanent merchant marine it must be run along business lines and with an eye to the future. This is being done, and the results show that our ships are doing their share in the world's carrying trade. There is not a trade route today that does not show the impress of our entry into the shipping business.

There are more than 190 steamers flying the American flag now engaged in the West Indies and Caribbean trades. We have 216 steamers linking America with the United Kingdom. In the French transatlantic trade we have 102 vessels.

A number of steamers enter the Adriatic, Aegean and Black Sea trades. We have 75 tapping the Mediterranean countries. There are 21 ships sailing to and from Portugal and Spanish Atlantic trades.

Africa is in close touch with America—in the transatlantic African trade alone there is a fleet of 12 steamers and two sailing vessels.

Our ships reach into Hawaii, Siberia and the Philippines. They are found in

the trans-Pacific, Australian, New Zealand and New Guinea trades.

In other words, we are endeavoring to cover the world trade routes as adequately as our ships permit, and as additional ships are delivered from week to week we continue to branch out and always having in mind the ultimate—a permanent merchant marine.

A few weeks ago in outlining our activities in the South American trade routes, I pointed out what our records showed. It may be interesting to review the figures used at the time.

For the calendar year 1919, 100 Shipping Board steamers were dispatched from the United States ports to Brazil, carrying a total of 444,400 tons of cargo. To the River Plate, 129 steamers with 689,600 tons of cargo. Of these steamers, 21 proceeded from the Plate to Europe on their homeward voyages, carrying approximately 160,000 tons of cargo, and the remainder to the United States with homeward cargoes totalling 588,000 tons. We are planning to inaugurate a regular monthly service between the River Plate, Antwerp and other European ports this month (February), and will place on this run refrigerated cargo steamers capable of lifting approximately 3,000 tons of frozen beef, loading such general cargo as may be available. Other cargo steamers will be added to this service from time to time, there being an ample reserve to care for cargo offerings.

Five steamers maintaining a two-weekly service between New York, Rio de Janeiro, Santos, Montevideo and Buenos Aires, is our present plan for the passenger service to the East Coast of South America. The accommodations of the steamers to be used will be first-class in every respect, and part of their cargo holds will be refrigerated, to take care of the movement of perishable products.

Following its policy of encouraging established American steamship companies rather than competing with them, the board will place in service two 13-knot ships—the Santa Theresa and the Santa Elisa, now reconditioning after release from army service. These, together with the Santa Luisa and the Santa Ana, now operated by W. R. Grace & Co., are combination freight and passenger vessels built especially for this trade. These steamers will call at Callao, Africa, Iquique, Valparaiso, and will furnish a sailing every two weeks from New York. A sister ship, the Santa Leonora, still in army service, will be added to these as soon as possible.

The 27 ex-German passenger ships offered for sale a few weeks ago (January 20) if sold, will not affect our shipping program of establishing trade routes. It is provided that the ships, if sold, are to be sold with reference to the particular routes selected and assigned by the Shipping Board. Whether we sell the ships to private persons or operate them by the board, the growing needs of South America will be provided with ample shipping facilities.

New Problems

Problems crop up every day. Take our physical difficulties, such as the fact that at Buenos Aires the depth of the water is only 26 feet. That fact makes it impossible for us to allocate ocean greyhounds like the Leviathan to the West Coast service of South America.

There are labor situations that give grave concern. Since the first of January, it is estimated that strikes have cost the Shipping Board a total of $37,000,000. This figure includes marine and harbor strikes, longshore strikes and shipyard strikes. These have occurred on the Atlantic, Pacific and Gulf coasts, but the results of the coal strike are not included. Losses by foreign or privately operated American vessels, and indirect losses to the public due to congestion in port and on inland transportation systems are not included in our estimate of losses.

We are just now directing our thought to the work of bringing 1,700 men and women of our Emergency Fleet Corporation staff in Philadelphia to Washington to continue their work in close connection with our Division of Operations. This move will allow us to tie in the various departments of the Shipping Board and the Fleet Corporation so that the organization as a whole can be efficiently and economically run.

But these are matters that are being satisfactorily cared for. It is necessary, however, to have them in mind in order that one may carry away a true conception of the work before us.

In reiterating that we must sell our annual surplus in foreign markets if we are to maintain our present standards of living, it is with the thought of the splendid opportunity that the fleet of 1,688 American ships, controlled by the board, has to serve in the development of foreign markets for American products.

No stone is left unturned by the board to see that this trade development by means of our ships is along the broad generous lines that good business judgment always dictates. **Meanwhile, the** question of national policy involved in the ownership and operation of passenger and cargo steamers constituting this fleet is one now occupying the earnest attention of the President and Congress.

James Speyer on Money and Railroad Problems

(*Continued from page* 436)

Rights of Property. Anyhow, no fairer banker ever lived. When the B. & O. defaulted in 1896, he offered to buy back all the coupons the house had sold on an issue.

Mr. Speyer used to be interested in municipal reform, has been a member of the City Board of Education, but in the last twenty years he has broadened his own "vision" through energetic efforts to help any and every social welfare project that makes for the peace and happiness of man. Not a spectacular giver like Carnegie or Rockefeller, no worthy appeal has ever been made to him that he has not examined. Both his and his wife's names are spread all over the index of the Charities Directory, and in a cynical age the happiness of these two, founded on service to others, is a cheering light. Mrs. Speyer, whose wit is known by all in society, spends most of her time helping working girls. She herself was a self-supporting woman.

Speyer & Co. was the first house on Wall Street to establish a pension fund for employees, and James Speyer raised the first $100,000 for the Provident Loan Society, and is now its president. In the twenty-five years of the existence of this society over five million needy ones have been helped, and protected from the rapacity of the professional loan sharks. Mr. Speyer is also one of the founders of the University Settlement on the East Side of New York, and many a young man and woman who has graduated from these slums to fame or fortune, will never forget his name. Then there is the Speyer School which he presented to Teacher's College. I must finish this article here, but nobody can ever stop Mr. Speyer from continuing his intelligent "philanthropies," a word by the way, which he hates.

Why Japanese Bonds Are Cheap

EDITOR of THE MAGAZINE OF WALL STREET:

In your issue of January 10, it was stated that Japanese Government bonds are selling low in price in sympathy with the decline in our own bond prices.

While this may be true, to a certain extent, nevertheless it seems to me that the real reason is due to the prevailing low quotations for pounds Sterling.

Since the bonds are payable here at the fixed rate of $4.87 to the pound, it would appear that they would be practically free from exchange fluctuations, but on the contrary the prices of the bonds here are largely governed by Sterling fluctuations as a result of the ability to arbitrage between England and here.

The bonds are selling in London at above par, but since an American purchaser of the bonds over there has to make payment in Sterling, he can afford to pay this price, for Sterling exchange can be bought very cheaply. It therefore naturally follows that their price here must be governed by Sterling rates and that their extremely low price is mainly due to the low level of Sterling.

Personally, I think that these bonds offer an unusual medium for taking advantage of the low quotations for Sterling exchange. R. L. ARMSTRONG.

How I Handle My Own Funds

VI—Fundamental Points in the Choice of an Investment

By **RICHARD D. WYCKOFF**

ONE of the most important considerations when making an investment is to understand the nature and condition of the industry which that security represents. Look over the mediums which John D. Rockefeller and others of his family select, and you will find that they are mostly in the necessities of life—oil, gas, food or other near necessities, such as iron, steel, harvesting machinery, etc. These are branches of endeavor in which there is an already created and continual demand—human need of fuel, light, eatables, or materials necessary to produce them. It is a good point to bear in mind.

As I get deeper and deeper into this problem of making money in securities, and then making the securities make more money, new avenues for thought, research and investigation are constantly developing. Of late I have been more than ever impressed with the importance of understanding the present condition and future tendency of the industries represented by the multitudinous corporations whose shares are listed or unlisted in New York and elsewhere. It was for this reason that I established in the MAGAZINE OF WALL STREET a department known as Trade Tendencies. This feature is worthy of careful study.

While in former years I usually began with a consideration of the trend of the market, and then passed to the choice of security, I now line the factors up in the following order:

(1) Long trend of the market.

(2) Nature and tendency of the industry.

(3) Trend of the selected company's affairs (toward improvement or contrary).

(4) Character and reputation of the management.

(5) Financial position and earning power.

(6) Position in relation to the intermediate, i. e., the thirty to sixty-day swings.

When all of the above prove up to my satisfaction I feel safe in making an investment. Of course, there are other considerations, but these are the most important.

Practically everyone agrees, and I have proved in another series of articles, how vitally important it is to know the long trend of the market. This is the compass by which all courses should be steered. It is so fundamental that there is little ground for discussion, but I may say that it is one of the main points in successful investment. The reason is that even when a purchase is not well-timed, it is likely to show a profit at sometime or other if the broad general tendency of prices be upward. Even poor weak stocks advance to some extent in a bull market. On the contrary, if a person buys a stock in a bear market, he is likely to have to carry it a very long while. If it be in a weak financial position, he may have to see it through a receivership, or he may decide to sell out at a big loss in order to save what little remains. From this it will be seen how important to the investor is knowledge and judgment of the long trend.

Suppose I have decided that the automobile industry is in a very sound, prosperous and promising condition, and I

AN INVESTOR

Look over the mediums which Rockefeller selects and you will find that they are mostly in the necessities of life

am considering an investment in one of the best of the automobile companies' shares. I would not feel justified in making this investment unless satisfied that the long trend of the market is upward. The action of the market discounts the business situation six months to a year in advance; prices of stocks look farther ahead than any individual can, and because these prices represent the combined or composite opinion of the millions of people who are dealing in securities. They express themselves by their purchases and sales; hence a study of the tendency of the general market and of individual stocks is a study of the minds of men.

Therefore, when I decide that the automobile industry is in a favorable position, and that the long trend of the market is upward, I set about to select the company engaged in that industry; (a) whether the tendency of its business is toward improvement or to the contrary; (b) character and reputation of the management; (c) financial position and earning power; (d) position of the stock or bond in relation to the general market and its position in the intermediate swings (if it be a stock) represented by the thirty to sixty-day movements in prices.

It is not claimed that I go through any set formulas, but this is the general plan of reasoning which I follow, and which, through long association with the various kinds of market securities, financial statements, management, and periodical swings in prices has become almost instinctive, so that it takes me only a short time to make up my mind that a proposition measures up to my requirements.

At the beginning, of course, I had to sit down like anybody else and pore over a mass of data and statistics and look up records just as a lawyer, doctor, or anyone else has to do when he first begins to practice. But trading and investing is like any other pursuit—the longer you stay at it the more technique you acquire, and anybody who thinks he knows of a short-cut that will not involve "sweat of the brow" is sadly mistaken.

Why Condition of Industry Is so Important

Pertaining to the matter of condition and outlook for the industry in which I might be considering a venture, I want to show how it should take precedence over many other factors which are included in the examination of a contemplated investment. When I first came down to Wall Street, there was practically only one industry represented on the New York Stock Exchange—that of railroading. Everything revolved around the state of the crops, because wheat, corn, oats and other crops were the country's mainstay, and most of the speculative campaigns by large operators like Gould, Keene, Philip Armour, Deacon White and others, started with the crop outlook as the base.

That condition has now changed. We have many hundreds of industries represented by the listed and unlisted securities that are now freely dealt in by investors, and this list is being added to every week. So, while the railroad stocks are still a factor, there are more oils than rails and more motors than there used to be industrial combined. All these groups are subject to various influences which affect their respective industries, and in many cases their industries are so intertwined that prosperity or depression in some is bound to bring about a similar condition in others.

The automobile industry is a striking example of this. If, as one high official has stated, there is a latent demand for two million automobiles, it means that there exists a like possibility of expansion

in the rubber tire, steel and oil industries. Another instance is found in the rails. If the roads should be handed back to their owners and their financial position and earning power is assured, there will immediately spring up an unprecedented demand for railway equipment. This in turn would favorably affect the steel industry, because the railroads are such very large consumers of rails and other equipment requiring the use of steel.

Then comes the secondary consideration of the effect of prosperity in these lines upon other industries. Included in automobile manufacture must be literally hundreds of allied lines such as concerns making bodies, tops, radiators, motors, wheels, etc., now that the indirect effect of a prosperous condition in the automobile trade is disseminated through thousands of different channels.

The two factors above named have a still greater influence upon the spending power of the millions whose earnings are kept at a high level by reason of the demand for labor and materials, and what is known as the spending power of the public runs into thousands of trade avenues, resulting in a great stimulation of all lines of industry.

Perhaps I have got away from my subject a little, but it is interesting to follow a thought toward its logical conclusion.

The above condition therefore brings about, directly and indirectly, a stimulation of various lines, while in other industries, working under adverse conditions, the effect is contrary; hence we must conclude that there are numerous tendencies going on in the market all the time, some being reflected by higher prices for these group of securities, while prices of other groups are declining. This will make clear why it is so important to study the various lines of business in order to choose, by a process of elimination, those which are likely to show the best results, even if conditions in other lines are somewhat unfavorable. I have seen cases where the progress of a certain industry more than offset the declining tendency of the general market, resulting in certain stocks going up while most others were going steadily downward. When I can make an investment in which the condition of that trade is ideal, and when the long trend of the market is strongly upward, with all the above-named factors satisfactory, I feel rather certain that the outcome will be profitable.

Studying the Technical Position

These points being settled, the next step is to decide which stock in that industry is in the best position as regards earning power and financial strength, character and reputation of management, etc. From an investment standpoint the above factors should dominate, but from a speculative standpoint, the matter of technical position would have almost equal weight.

In selecting a stock for income and profit, or choosing one which I buy primarily for profit, I always like to choose the one which will make the greatest amount of money for me in the shortest length of time. This is where a study of technical position comes in. A certain stock may look good to me because it has risen from 100 to 150 and then reacted under an assault by the bears (but without any especial change in its fundamental position, outlook or earning power) to a price of 110. If it shows at that level strong resistance to pressure, I would much rather buy it than some stock which was still in the range of distribution after being marked up 40 or 50 points and made very active around the top. These are but simple examples of a study of the action of different stocks and some of my reasons for choosing one rather than the other after giving due weight to all the other factors in the case.

It is strange how people will continue to ignore the important elements just referred to. Probably it is because they do not understand the operations that underlie the fluctuations in securities and which are responsible for many of their movements. I refer to the campaigns mapped out and carried out by pools consisting of groups of a few or many men who look far ahead and observe the approach of a situation which will enable them to buy or sell to advantage.

As Charles H. Dow used to say: "The public rarely sees values until they are pointed out," which means that the public does not lead, but is led in speculation. It rarely acts until it is told to act, or until action of some sort is suggested by a bit of verbal information, a market letter, etc.

But there is another kind of suggestion which is the most potent in its influence on the public, and that is the action of the market itself. A rising price for a stock suggests still higher prices and declining quotations bear the inference that prices are going lower. Pools work on this weakness, which is due to ignorance on the part of the public. They accumulate a stock without advancing its prices; then, when market conditions are favorable, they bid the stock up. This excites public buying, because people always want to get in on something that is "going up."*

It long ago occurred to me that success in the security market demanded an understanding of the operations of those who were most influential, because these interests had been studying the business and operating in the market for many years and were therefore experts. It was sound reasoning to suppose that a knowledge of the principles which they used in their market operations would enable one to detect their footprints on the tape and to follow with pleasure and profit.

Large interests are practically always in the market. They usually have their scale orders in on both sides so that they buy on declines and sell on rallies. They always have money with which to buy on declines, because they sell on the rallies. They thus realize a profit as well as supply funds for the next decline. If the public would learn to do this, there would be fewer stock market fatalities.

It is difficult to over-emphasize the importance of studying the technical position, particularly when making a speculative commitment. Many people may say, "What is a weak or a strong technical position?" My reply is, in brief, that a stock is in a weak technical position on the bull side when it has been purchased and is held by a large number of outside speculators; when all of these are looking for a profit; when the price of the stock has advanced to a point where no further buying can be stimulated for the time being. It stands to reason that when buying power is exhausted a stock must decline, no matter how strong its finances, management or earning power.

On the other hand, a stock is in a weak technical position on the short side when the bears have exhausted their ammunition by selling all they can afford and when the buying power of investment and speculative purchases is such that it resists the pressure of the bears. In other words, when demand overcomes supply. The weakness in such a position is found in the fact that all those who are short are potential bulls; they must, sooner or later, cover their commitments in order to close their trades. They do not wish to remain short indefinitely. It is a well-known fact that bears have less courage than bulls, and they are often obliged to buy at higher prices because the technical position becomes so strong that they cannot force the price lower. Bears, after they have sold short, are an element of strength, not of weakness.

Much could be written on this subject, which, while far from being an exact science because of the numerous and changing influences that are being thrown into the market at almost every moment, is a study which well warrants the attention of every investor and trader. The old adage "well bought if half sold" should always be borne in mind, and while this study of the technical position is a point which people get around to last, one's security market education is not complete without it, nor can it be mastered without patient study, long experience and practice.

The next instalment will describe an operation in which the condition of a certain industry and the technical position of a certain issue pointed the way to a profitable transaction.

BIGGER PRODUCTION AND LOWER COSTS NEEDED

F. M. Prince, of Minneapolis, Expects Readjustment in All Lines

"There is an apparent disposition among many people to purchase indiscriminately and at high prices many articles that can only be classed as luxuries. On the other hand, the deposits in savings banks have increased very greatly during the entire year.

"We feel there must soon be an adjustment to a lower level of all lines of business and living costs, including returns on capital and wages of labor, with greater production for each hour of labor.

"In a general way we believe business conditions in the Northwest are as favorable as in any part of the United States."

*Some very valuable and interesting phases of these operations in the public mind are explained in "The Psychology of the Stock Market," by G. C. Selden. $1.31 postpaid.

Immigration and the Labor Problem

Sensitiveness of Immigration to Economic Changes—Will Help Labor Supply

IMMIGRATION statistics often throw considerable light upon the political, economic and cultural conditions of the various countries from which our immigrants come, and upon the country to which they go as well.

Immigration into the United States during the past twenty years, as shown by accompanying chart, amply proves the above statement. We note a gradual and steady rise for a period of nine years, during which period the number of immigrants increased more than 300%. We also note the pronounced decline of more than 40% following the financial crisis in 1917.

The political situation in the Balkans, which was arresting the attention of the Great European powers in 1911, is also clearly reflected in the marked reduction of the number of immigrants. The conclusion of hostilities through the Treaty of Zurich and the readjustment of the chaotic state of affairs abroad, once again caused a considerable rise in immigration.

The chart also shows how seriously the Great War has affected immigration. The slight increase after the conclusion of hostilities is also noticeable.

Immigration and Employment

The increase in the number of immigrants in 1919 over the preceding year bids fair to continue for a long period to come. Changes in the form of governments and geographical boundaries, followed by repressive and oppressive measures intended to do away forever with national and racial traditions, economic distress, imposition of heavy taxes to meet the cost of the conflict, the destruction of capital, all this will no doubt add to a renewal of European immigration to the United States.

Table I—Index of Employment, 1916-1919 (1916 = 100)

	Cotton	Iron and Steel	Leather	Silk	Wool
1916.....	103	110	101	101	114
1917.....	98	130	102	94	107
1918.....	96	136	98	84	103
1919.....	78	132	95	77	59
Yearly Av.	94	127	99	89	95

If, therefore, laws restricting immigration are not to be enforced too rigidly, we may look forward to an influx of labor and with it a pronounced change in the entire labor situation—for the better. The spirit of labor and its leaders in the past few years has grown from bad to worse, the number of strikes and labor troubles have multiplied considerably, chiefly because the existing labor shortage could hardly, if at all, be alleviated, and because labor leaders were only too well aware of this fact. Table I shows the appreciable decline in the number of employes in several leading industries; the wool trade shows the most pronounced decline, namely 50%. The iron and steel industry shows an increase compared with 1916, which year was taken as the basis of comparison. The decline, however, is not so much attributable to the comparatively small number of arrivals as to the great difficulty in the present industrial organization to connect workers with jobs without losing time in the interim, and to seasonal fluctuations in demand for labor in the several industries; and also to the variations in the demand for labor in one or another industry due to incessant play of business conditions, to cyclical depression of the whole industrial system, caused by fluctuations in gold and silver, misdirection of productive energy, excessive competition, underconsumption, etc.

Secretary Lansing's Attitude

In a recent letter addressed to the House of Representatives, Secretary of State Lansing asked for $450,000 for the purpose of enforcing war time restrictions on the entrance of "alien anarchists, Bolshevists, propagandists and other undesirables" into the United States.

According to the letter, approximately 45,000 immigrants arrive every month, or about 450,000 a year, which will no doubt increase with the approach of peace and the resumption of trans-Atlantic shipping activities. However, the bulk of our immigrants is fortunately not "anarchistic and bolshevistic," and we therefore look forward to an era of increased production and prosperity and a considerable betterment in the labor problem which has confronted us in the past few years, with the increasing number of arrivals.*

But it will be necessary to find ways and means by which the foreigner may be diverted to the field where he is most needed and best paid, and adequately housed in a community open to the American spirit. This would render needless the difficult and costly, although least

* See Magazine of Wall Street, V. 25, No. 353.

Photo from Underwood & Underwood

NEWCOMERS TO THE U. S. A.

Immigration into this country, which was practically at a standstill during the war, is now gradually increasing. It is believed that the movement will be an expanding one for some time to come

Progress of Railroad Legislation to Date

Conference Committee Has Settled Some Minor Differences, But Is Still Working on the Major Provisions of the Forthcoming Railroad Bill

THE railroad bill which, for better or for worse, will be looked upon as one of the outstanding achievements of the present Congress, is now being worked out in the Conference Committee including representatives of the House and Senate. The House has passed the Esch bill, and the Senate the bill sponsored by Senator Cummins.

The doings of the conference committee have been reported daily, through the newspapers and the Congressional Record. To date, most of the minor points of difference between the House and the Senate bills have been smoothed out. There are still to be settled, however, the major provisions over which the brunt of the conflict has centered.

In the first place, the Cummins bill provides that the earnings of the railroads shall be limited to 5½% of their invested capital, with an additional ½% allowed for depreciations, new construction, etc. All the rest of their earnings above this amount are to be turned in to a common fund to be disposed of for transportation property in the public interest, or in any other way.

This provision has been attacked as unconstitutional, on the ground that it confiscates property; on the other hand, it has been held that the railroad regulating powers of Congress may legitimately be stretched this far.

Another controversial point is the clause of the Cummins bill providing for the compulsory consolidation of the railroads into competing systems, from twenty to thirty-five in number, if not so consolidated within seven years.

The Cummins bill also provides that railway strikes shall be considered illegal, which clause has been bitterly attacked by organized labor. A rumored compromise whereby this clause would be omitted with the sanction of the railway executives if the labor men would cooperate with them in defeating the limitation-of-earnings provision has been defeated because labor still has hopes of carrying through its plan for continued Government control for two years more.

Another controversial matter is the proposed creation of a National Transportation Board, of large powers, to supervise the consolidation of the railroads and supplement the Interstate Commerce Commission without superseding it.

Deadlock Apparently Reached

To date none of the provisions mentioned has been settled by the conference committee, and it seems very much as if a deadlock has been reached, particularly on the famous "Section Six" of the Cummins bill, providing for the maximum 6% earnings on total railroad valuation.

What has been accomplished to date is the definite promise of a Government guarantee to the railroads for the first six months of private operation, on the basis of the Standard return fixed during Government operation. This will keep the railroads going while rates are being adjusted, as it is conceded that many roads will go into bankruptcy if returned to their owners under the present relation between rates and operating costs, without Government help.

A revolving fund of $250,000,000 is to be established, from which the railroads may borrow at 6% during the first two years of private operation, such loans to be terminable at the end of seven years after the return of the railroads. This provision was among the earliest adopted by compromise in the conference committee.

The power of the Interstate Commerce Committee to set aside rates fixed by State commissions for traffic within the state, in such cases where these intrastate rates affect interstate traffic, is affirmed in the compromise reached so far. This legalizes the decision of the "Shreveport case," where low rates fixed by the Louisiana commission for a small area around Shreveport were considered to give that district an unfair advantage over Texan shippers.

So far these are the main points of difference smoothed out by the conference committee. If it does not succeed in arriving at a final decision on the more important and more fiercely contested provisions of the Cummins bill, it is possible that the members of the committee will be sent back to their respective Houses to obtain their verdict on each of the matters in dispute.

In any case, the Presidential proclamation requires the railroads to be returned to private ownership by March 1. It does not seem likely that in the present state of progress of railroad legislation this will be feasible, so that there is more than a prospect of a supplementary proclamation putting off still further the date when the rails will be returned.

Immigration and the Labor Problem

(*Concluded from page* 441)

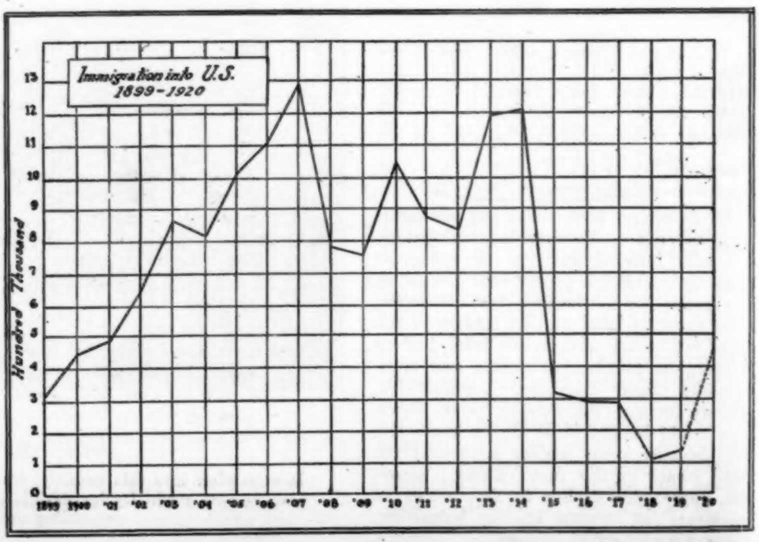
effective, process of Americanization. "What a man learns, he easily looses, but what he lives, strikes in."

In conclusion, I wish to quote from Dr. Hourwich's standard work on immigration, dispelling the views of many a government official in regard to the injury immigration is or may be doing to our country. Says Dr. Hourwich: "Immigration has displaced none of the native American wage-earners or of the earlier immgrants, but has only covered the shortage of labor resulting from the excess of the demand over the supply.

"Immigration varies inversely with unemployment; and has not increased its rate.

"The standard of living of the immigrant is not lower than that of the past generations of immigrants engaged in the same occupations; nor has the immigrant lowered the standard of living of Americans and older immigrant wage earners."

In short, immigration has been a necessary part of American economic life, and a renewed inflow of foreign workers, now that the war is over, may be expected gradually to relieve the present labor shortage.



Foreign Exchange Discounts and Depreciated Currencies

Exchange Rates as a State of Mind—How Our Foreign Trade Will Be Affected

By G. C. SELDEN

IT has become very clear during recent months that the increasing depreciation of European exchange rates in this country is not entirely due to the fact that Europe owes us so much money, but is in part due to the fact that the money of European belligerent nations is no longer worth its par value in gold.

The fact of this depreciation has long been well understood among bankers and students of finance. But the general appreciation of the situation among business men, and especially among exporters and importers, has an important signification, which perhaps may not be evident at first thought.

The fall of exchange on London to 73 per cent of its par value in American dollars—and that means gold dollars—is in itself enough to show that the British realize the depreciation of their money. That rate means, of course, that a dollar's worth of American goods costs England $1.37 plus freight and insurance—*provided* that the English pound is assumed to be worth $4.867 in gold. But if the pound is assumed to be worth only $3.55 in gold, then this premium on American goods disappears and the English importer really buys them dollar for dollar.

English consumers would not continue to pay, as they now do, on a large volume of imports from America, this premium of 37 per cent plus insurance and the current high freights, if the pound was really worth $4.867.

Another clear indication of the depreciation of English money is seen in the current sales of new gold as it arrives off the British coast. It has been selling at a premium (in English money) about equal to the premium there on the American dollar. It might, however, be claimed that because of the small amounts of gold sold, the price of the gold is a result of the exchange premium, instead of the exchange premium being due to the premium on gold.

It is interesting, therefore, to check this up by comparing the general level of English prices with American prices. Taking *Bradstreet's Index* and the London *Economist's Index* to represent the respective American and English price levels, we find that the relation between the two in 1913 and 1914 was practically stationary and was about normal as compared with previous years. (See page 58 of *A Century of Prices.*)

Taking then the 1913 and 1914 ratio of English to American prices as par or 100, we find that the same ratio in August, 1919, stood at 110 per cent; that is, as compared with the pre-war level, English prices had risen 10 per cent more than American prices.

Since then both American and English prices have been rising, but English prices have risen much the faster and farther. The result is that the ratio of English to American prices is now about 123 per cent.

This extremely rapid recent rise of English prices as compared with ours cannot be entirely due to conditions of supply and demand proper. It must be in large part the reflex of the depreciation of English money from gold value.

All that is necessary for the restoration of normal trade relations between America and Europe is a *recognized standard relation* between the dollar and the pound, franc, lira, etc. Normal trade would be just as possible if the pound were recognized as worth only $3.50 in gold, as it would at a valuation of $4.87. The Argentine peso, for example, is nominally worth 96 cents in American money, but the peso exchanges against gold in Argentina at about the equivalent of 42½ cents in American money. Its depreciation has become standardized around that figure and our trade with Argentina proceeds smoothly on that basis.

For a dozen years after the Civil War our paper money was worth less than gold. But that fact did not interfere with our foreign trade. The amount of depreciation was recognized and recorded daily on both sides of the Atlantic, and our foreign trade quickly adjusted itself to that condition.

Prices are, of course, a state of mind, since the sale of any article depends entirely on what the buyer is *willing* to pay and the seller is willing to accept. Economic conditions can affect prices only through the minds of buyers and sellers.

The Englishman may well be unwilling to pay a premium of 37 per cent on American goods; but if he recognizes the fact that his money is worth only 73 per cent of its face value, that wholly changes his state of mind. He no longer objects to the apparent premium. His home prices adjust themselves to the depreciation of his money, so that comparisons with American prices become more favorable to the latter. That is what is occurring in England now.

From those who do not fully understand foreign trade relationships, there have been loud calls for the "stabilization" of foreign exchange—something which is entirely impossible except as a purely temporary measure. But foreign exchange rates will eventually stabilize themselves, not at a nominal par, but at actual values.

You can't "stabilize" the price of wheat permanently at $2.00 or at any other price, when there are twice as many people ready to sell at that price as there are people willing to buy. You may hold the price there for a time, but you will be annoyed by a constant piling up of surplus wheat which cannot be sold at your fixed price. Joseph Leiter and others have had exactly this experience in attempting to maintain an artificial price for wheat.

The same is true of foreign exchange. There is a market price for it, fixed by the requirements of buyers and sellers, and that market price will stabilize itself around the level of actual relative values.

Since it is impossible to see how European money can return to its normal gold value at any early date, it is likewise impossible to see how foreign exchange can return to normal. What will happen will be the gradual stabilization of the exchange rates at some discount which comes to be recognized as reasonably representing the gold value of the various currencies.

In time, some of the European currencies will doubtless again be worth their nominal gold value, just as occurred in the case of our Civil War paper money; but this is likely to be a long time, just as it was a long time then. English money has not depreciated nearly as much as our Civil War money did, and therefore should come back correspondingly quicker; but the return of Continental paper money to a gold basis must be a long and arduous operation.

What is the practical conclusion? That a normal foreign trade will not wait for normal exchange rates. Some have assumed that, after Europe returns to its customary production of goods, our exports to her would practically cease until exchange returned to normal. But no such conclusion is warranted either by the lessons of history or by common sense. Our big war exports will fall off, but the exchange discounts will not permanently interfere with a normal foreign trade.

SAVING AND FAILURE

The failure of a man who does not save his money is due not only to the fact that he has no money with which to take advantage of the opportunities that come in the way of every man, but also and particularly to the fact that such a man is not able or fit to avail himself of these opportunities. The man who can not and does not save money can not and will not do anything else worth while.—*Andrew Carnegie.*

Franco-American Investments

Securities of French Credit Institutions Guaranteed By Government—Why the 5% Loan?—Position of the French and American Investor Compared

(Special Correspondence of The Magazine of Wall Street)

By FRANK L. MORITZ

THE American who invests in French securities and the Frenchman who invests in American securities find themselves in positions almost exactly opposite. Before the war there was, practically speaking, no American money invested in France. The very obvious reasons were that any rente or any stock put on the Paris Bourse was immediately snapped up by the domestic investors, by no means limited to the wealthy class, and that, as a rule, French securities gave a lower interest rate than American. For this very reason several high-class American offerings were well received in France. The revolution in exchange brings an enormous profit to the French investors, and at the same time it offers a splendid opportunity for the Americans who welcome an opportunity to place money with the highest degree of safety and with almost the certainty of an important profit after one or two years.

A considerable proportion of American railway securities held in France have not yet been sold, but at the present moment their owners are letting them go in order to benefit by the rate of exchange, which, it is believed in the most competent circles, is now on the verge of touching its climax. André Liesse, editor of *L'Economiste Français*, writes in the current number:

"Less well-advised than those who gather the tax-exempt securities, it seems to us, are the capitalists who at present seek the government bonds or the stocks whose coupons are paid with a premium due to the rate of exchange. If the financial policy of the near future answers to our hopes, there are, believe us, important reasons to suppose that the year 1920 will see the prices of foreign money fall, in a proportion and at a rate impossible to foresee with accuracy, and whoever figures on a prolonged maintenance of the present high rates, makes without doubt a false calculation, and exposes himself, not only to drawing the interest on which he counts for a very short time, but also to a loss on the capital set aside for investments of this character."

For this reason, it is profitable for the Frenchman to sell his American bonds or stocks now and take his profit, in order to replace the money in rentes or in the established industrial institutions. At the same moment, it is to the profit of the American to invest in the same rentes, or in the bonds of the principal institutions of credit whose funds are guaranteed by the French government.

There are three issues that seem to be the most interesting. All are guaranteed by the Government. The first is the bond issue of the Crédit National. At the end of December this institution issued 8,000 bonds at a face value of 500 francs each. The price of issue was 495 francs, but they are now sold on the market for 496. The total of 4,000,000,000 francs, used for the reconstruction of the devastated regions, will be paid by means of lotteries, held every three months during a period of seventy years. After each of these lotteries, an equal number (1/280) of the bonds will be paid up at the face value of 500 francs, and these bonds will participate in a second lottery in which the prizes to be gained by the lucky vary from 50,000 to 1,000,000 francs. Besides absolute security, an attractive possibility is the very probable increase in value as the franc tends to strengthen. It will no doubt be a few months before this tendency begins to assert itself in any marked degree, but for a long-term investment there is nothing on the market that seems to offer superior advantages.

Very much the same proposition is presented by the bond issue of the Crédit Foncier. These obligations have a face value of 500 francs, and are sold at 497.50. They bear interest at 5½%, but the amount that can be won in the lotteries, which will take place every two months, beginning May 10, 1920, is smaller than that offered by the Crédit National.

Of a somewhat different type, but of equal value, are the 5% rentes to be issued in the course of February by the Government. As announced by the Minister of Finance, they will be offered to subscribers at par. These also will be reimbursed by means of lotteries, but instead of special prizes, each number that comes out will give its owner 150% of the face value of the rente.

The reason for the Government's choice of this sort of loan is perhaps best expressed by M. Klotz himself. Speaking before the Chamber of Deputies, he said:

". . . It is my duty to tell you that the Government considered at length what type of loan ought to be presented. We could offer a perpetual rente, we could again have recourse to a 4% rente. But

(Continued on Page 447.)

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MAIN ENTRANCE TO THE BANK OF FRANCE

French holders of American securities are selling to some extent at the present time to profit from the existing disparity in exchange rates of the two countries

What Thinking Men Are Saying

Return of Railroads to Private Ownership and Necessity of Rebuilding Their Credit Structure Arouse Comment from All Sides—Excess Profit Taxes Strongly Condemned by Prominent Men—Gompers Denounces Bolshevism and the Russian Soviet

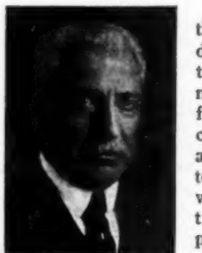
RAILROADS MUST EXPAND TO AVERT INDUSTRIAL TIE-UP

Samuel V. Dunn, Editor of Railway Age, Convinced of Total Inadequacy of Present Systems

"Unless the capacity of the railroads is rapidly and greatly increased it will be impossible for new and enlarged industries to get sufficient raw materials hauled or to ship their finished products to market. If they cannot get enough raw materials or ship their products to market they will be unable to earn a return upon the new investment in them. If a policy of legislation and regulation which will encourage a great expansion of railroad facilities is not adopted I believe that within a few years we shall have an industrial, commercial and financial convulsion."

HIGHER RAILROAD RATES WILL NOT RAISE COST OF LIVING

Prest. Rea, of Pennsylvania, Believes Production Would Be Increased Instead



"I cannot endorse the view that to deal adequately with the railroads in the matter of rates will further increase the cost of living or be an excuse for profiteering. Compared with the value of the article transported and the total profit earned on such products, transportation costs have been low, and any adjustment essential to bring the railroads to a proper self-sustaining condition, and take them from the backs of the taxpayers and the public treasury will be equitable to the entire country. The increase necessary to do so will be small, compared to the rate increase that must be made on the railroads of any other nation with which the United States competes in its trade and commerce. I am a firm believer in the fact that, with better facilities, we can do an increased business and secure increased production and efficiency."

GOVERNMENT HAS PROVEN INABILITY TO RUN RAILROADS

Senator Wadsworth Says Return to Private Ownership Will Be Welcome

"Never has a Government had a better opportunity of displaying its ability to run great railroad systems than has our Government during the last two years. No restrictions of any kind were imposed, no rules laid down. It is a matter of common knowledge that the service has deteriorated, to say nothing of the equipment and the rights of way. I believe that governmental operation spells the end of enterprise and initiative and confides the greatest transportation systems of the country into the hands of a bureaucracy remote from the people, and of very necessity, unresponsive and lethargic. The sooner we return the railroads to their owners to be operated by them under adequate supervision by the Federal Government, the better it will be for the country."

AMERICA SHOULD SUPPORT RUSSIAN PEOPLE NOW

Elihu Root Foresees Importance of Cordial Relations

"Now is the time for us to put ourselves on a footing with Russia which, in the days to come, when the skies have cleared and order is re-established will make the Russian people and the American people copartners in the exchange of products which will benefit both.

"I have lost no faith in the future of Russia. We made our Declaration of Independence in 1776, and, amid turmoil and confusion and dissension, we reached a settled Government only in 1780.

"How long it was before France—France, with all its culture, its science, its art, its literature, its polite manners—before France achieved its Revolution and settled government after it.

"The English beheaded Charles I. in 1649. Eleven years later she so despaired of the success of her attempt to secure popular freedom that she went back in the Restoration of Charles II, and it was not until what the English called the Revolution of 1688, nearly forty years after, that her affairs became settled.

"Long before the expiration of the periods in which any of these nations now at the forefront of popular self-government achieved settled conditions, long before that period has elapsed, I look to see Russian work out her own questions.

"Can we remain quiet, and see that great consummation wrought out, without lifting a hand to make good the profuse promises with which we greeted the revolution of the Russian people? Every consideration of good faith, of honor, of public policy, of selfish interest conspires to make it the duty of American citizens to take thought now upon how they can help Russia, prove the reality of their friendship for Russia, establish the foundations for a firm friendship in the future."

NO NEED TO FEAR REVERSAL IN FOREIGN TRADE

Secretary of Commerce Alexander Confident That Business Will Hold Up

"During the year 1919, American exporters faced severe difficulties in conducting their foreign trade, such as import restrictions, depreciation in exchange, and changes in industrial conditions abroad. In spite of these difficulties, however, the figures show that 1919 was one of unusual prosperity as measured by the volume of export trade. There are some fears in various quarters that the tide may turn and that the favorable position secured by this country in foreign trade will receive a serious check. There is no serious ground for this fear providing a vigorous constructive policy is followed looking to the maintenance and development of our shipments overseas.

"We are today standing at a critical period in our national history. Are we going to grasp the opportunities which are before us or are we going to withdraw to ourselves and close our eyes to the new position which is before us? I have no fears on this score. We are going forward to meet our new responsibilities and opportunities with the energetic, enthusiastic spirit of American enterprise."

GREAT BRITAIN IS ENJOYING GREAT REVIVAL IN TRADE

Hugh Chisholm, London Editor, Expects Continued Improvement in Months to Come

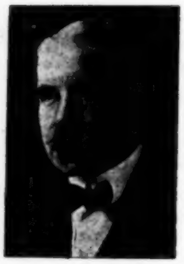
"If there are any doubts as to Great Britain's fiscal resources, they will be set at rest during the present year. The presentation of the budget after March 31 will disclose the extent of our debt-paying capacity. The budget, I believe, will show a surplus of anywhere from 200,000,000 to 500,000,000 sterling in revenues. That's making a start.

"Things may not look so well when we have to borrow to balance our account. But the outlook will be different in a few months. Remember we are getting back to work, and making good headway in re-establishing the trade we had when the war started. London has never been so busy.

"The outstanding consideration in any discussion of Europe's affairs is the part America is to play in the whole reconstruction problem. It is a very big and complex question."

EXCESS PROFITS TAX INTENSIFIES PRICE EVILS

Otto H. Kahn Offers 1 Per Cent Tax on $2 Purchases as Substitute



"Among minor measures that I would suggest in the way of tax reform, is a small tax on checks, which Congress, for some unaccountable reason, has failed to enact. But the principal suggestion for which I would invite your consideration is the imposition of a tax of 1% on every single purchase exceeding $2.

"It has been calculated that a tax of this nature, of only 1%, would produce from two to four billion dollars annually, according to whether it is imposed on all commodity transactions, or only on retail sales to the ultimate purchaser.

"In the latter case, the tax should, I think, be made varying in its scale, say from 1 per cent to 10 per cent, or even 20 per cent, progressing according to the value (and possibly the nature) of the article purchased so that, for instance, a person making a $5 purchase would pay 1 per cent tax, i. e., 5 cents, while a person making a $5,000 purchase would pay 10 per cent tax, i. e., $500, and so on. Such a progressive scale would, of course, still further enhance the productivity of the tax.

"I believe, indeed, that a tax of the kind indicated would yield so large a measure of revenue that it might be found possible, if deemed desirable, to abolish altogether the Federal taxation of incomes up to, say, $4,000, simultaneously with a drastic reduction of the supertaxes.

"If our income and excess profit taxes had the effect of breaking the vicious circle of price-boosting and wage-boosting, if these taxes had power to eliminate or curb 'profiteering,' much might be forgiven them. But experience has proved that not only have they no such effect and no such power, but indeed they have tended to intensify those evils. To deal with these things measures of quite a different nature are required."

INCOME SURTAXES PREVENT ADEQUATE MONEY SUPPLY

Prest. Mitchell of Natl. City Co. Opposed to Freezing American Credit

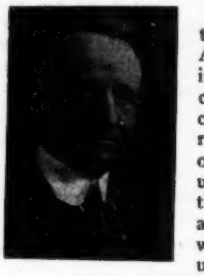
"We cannot finance railroads, we cannot aid public utilities, or foreign governments so long as the present surtaxes on incomes remain as they are. Capital cannot and will not flow where it does not and cannot secure an adequate return.

"If we are to look for a continuance of the prosperity that exists today we must look to the sustaining of our export demand, which obviously will require financing of foreign countries and foreign enterprises through fixed maturity obligations, and we must look to the building up again of other basic demands, such as the demands of our railroads and public utilities—demands of a character which for decades have been considered by merchants, bankers and economists as barometric of the state of prosperity enjoyed.

"I conclude, therefore, that of all the legislation that may be considered in Washington none is more important and none can be so important as the revision of the income tax laws, to the end that surtaxes will not freeze American credit."

RECKLESS SPENDING HAS DEFLATED DOLLAR VALUE

Secretary of Treasury Glass Points Out Causes of Depreciation



"There is nothing the matter with the American dollar. Its intrinsic value is unchanged, since our currency in the main rests fundamentally on gold, which, with unimportant exceptions, is the standard of value the world over. Naturally, since gold is the standard, its value cannot change.

"The purchasing power of the dollar at home is materially less than it was before the war for the simple reason that the costs and prices of labor and of most of the commodities in common use have sharply risen. The causes of the rise in prices are not far to seek. They are primarily the excess of demand over supply coupled with the present tendency to reckless spending and the apparent willingness of many purchasers to pay without question whatever prices are asked."

EXCESS PROFITS TAX SHOULD BE REPEALED

William B. Colver Says Only Excuse for Tax Has Disappeared

Urging the repeal of the excess profits tax, which he described as the "cornerstone of the structure of high prices," William B. Colver, member of the Federal Trade Commission, said recently:

"It [the excess profits tax] was never proposed as a revenue measure and is not necessary as a revenue measure. It was proposed only as a corrective to Government price fixing. Even as a corrective it did not work. On the contrary, it encouraged extravagance of operation and carelessness in business management. Now the Government is no longer fixing prices and the only excuse which ever existed, if one did exist, for the excess profits tax has disappeared."

GOVERNMENT OWNERSHIP AGAIN IF ROADS ARE NOT PROTECTED

Thomas DeW. Cuyler Sees in Proper Laws the Only Hope of Private Control

"Government operation for two years has convinced the country in every quarter that public ownership is not desirable and that the roads should and can be operated by their owners.

"The question, therefore, is how shall they be returned. In other words, are the laws to be broad and strong enough to maintain the roads, the cost of operation, necessary additions and betterments, a fair return on the capital invested and a system of credit in the future that will provide for betterments and extensions that will be required incessantly for all time to come?

"Any measure of legislation that falls short of this will be inadequate and will tend ultimately to Government ownership.

"An address has recently been delivered by the present Director General of Railroads before the Bar Association of New York, in which he proposes that all the roads of the country shall be consolidated into a few great systems and that Government control shall continue until this is accomplished. I cannot believe that such a consolidation over night would be either wise or beneficial."

CONSOLIDATION WILL SOLVE PROBLEMS OF THE RAILROADS

Senator Cummins Believes There Is No Other Alternative Except Government Ownership

"There is only one solution to the railway problem that the two houses of Congress are now engaged in debating, and that is a consolidation of all the railways of this country under private ownership.

"The alternative is consolidation under government ownership—and a consolidation is what government ownership means."

"There never has been a serious division in Congress on the advisability and equity of returning the railroads to private ownership. And in the opinion of all whom I have heard discuss the point, it would be idle to return the roads under any conditions other than those which would secure their future success in finances and efficiency."

REHABILITATION OF RAILROADS OUR MOST PRESSING NEED

People's Nat. Bank of Pittsburgh Urges Reasonable Credit Facilities

"One of the most important matters before this country this year will be the rehabilitation of our railroads, representing a property valuation in excess of our net debt incurred for carrying on the war.

"The highest efficiency is demanded of our transportation systems to accommodate not only our domestic trade but our export trade, so large a tonnage of which must be hauled before it reaches the water carriers of both coasts.

"It cannot be expected that the financial credits required by our railroads will be negotiated on former favorable terms while our Government bonds are quoted on a basis to yield 3¾ to more than 5 per cent, but conditions under which roads may operate should be such as to assure a fair return on capital, comparing favorably with that in industrial enterprise."

"It is not certain that pending legislation will accomplish this result, but it should not be the last word on the subject now that legislators and administrators have had the opportunity to acquire practical experience."

WESTERN RESERVE BANK TAKES CONSERVATIVE STAND

Federal Bank of Dallas Advises Members to Discriminate Against Speculation

"It will be the policy of the Federal Reserve Bank of Dallas to determine not only the eligibility of paper offered, but, as far as possible, to determine also whether the purpose which prompts requests for accommodation is in actual conformity with the spirit of the law and with the principles of conservative credit judgment.

"The banks of this District, both member and non-member, should carefully analyze the necessity for each loan made by them, and do their best to discourage the seeking of accommodations which have not to do directly with legitimate production, or which are not sought as a means of supporting commercial, industrial or agricultural enterprises which are vitally essential to the common good.

"If such a policy is not universally adopted and followed, it is conceivable that many banks may find their resources so completely tied up in loans made either for speculation or investment that they are unable to take care of the legitimate seasonable demands of their customers when those needs arise. It will be difficult, if not impossible, for such banks to liquidate loans of the character mentioned, and certainly they would not be able to rediscount such paper with the Federal Reserve Bank."

SUMMONS AMERICAN LABOR TO FIGHT BOLSHEVISM

Samuel Gompers Urges That Trotzky Methods Be Condemned for All Time

"We know about Russia. We know about Bolshevism. We know the piteous story of cruelty and intolerance which is hailed to the world by its dupes and advocates as the most perfect state of society yet devised." This is Samuel Gompers' characterization of the theory and practice of Bolshevism as contained in an editorial by him published recently. Condemning Bolshevism in no uncertain language, Mr. Gompers concludes his plea for the support of American labor in apposing Bolshevism as follows:

"The point which it is intended to convey is that there is in America ample, authentic and official information descriptive of Bolshevism. No American who cares to take the pains to read need have the slightest doubt about the aims of the Bolshevist government set up by Lenine and Trotzky. We know about Bolshevism. We know about it, and we condemn it completely, finally and for all time."

BUSINESS MIGHT EXPAND TO RECORD-BREAKING FIGURES

Guy E. Tripp Says Industrial Peace and Efficiency Are All That Is Needed

"Simply as a comment, I wish to point out that the degree or ratio of business increase over pre-war times is apparently greater than in fact it really is; because statistics measure it in money and, prices having doubled, the same unit output has the appearance of having doubled. Nevertheless, business has undoubtedly increased even when measured by the unit output, and I believe that, given industrial peace and efficient work, it probably would soon reach record-breaking figures.

"A development of great activity would be in accord with frequent experience as to the course of business after a war; as, for example, after our own civil war when it amounted to a boom which lasted until the panic of 1873.

"In fact, the North laid its foundation of prosperity in the interval of the civil war despite the financial convulsion of 1873, and notwithstanding that the conditions are different at the present time, because there is no longer a great West to be opened up and transcontinental railroads to be built, there is nevertheless ample foundation for a similar period of prosperity with perhaps the same danger of a boom."

RESERVE BANKS MUST MAINTAIN INTEREST RATES

Prest. Adams of National Bank of Youngstown Explains High Rates

"It is, of course, true that if the Federal Reserve banks had advanced rates a few months ago some of the financing which has been done in the meantime would have been left undone, but the final result would have been the same. If such advances in rates had been very drastic they themselves would have caused a pinch. If merely nominal they would only have deferred it. The government may have taken a narrow view of the matter, though we cannot pass judgment on this, but whether it did or did not makes no difference. Nothing it either could have done or could have left undone would have affected the final result. We ourselves, and we alone, are to blame. The psychological reaction which took place after the signing of the armistice left us without poise and without self-control. It drugged the guardian of our instinct to reach out; and that instinct, running wild, has swept us swiftly to the end of our tether. If we are honest we will blame no one except ourselves.

"Now, what is the answer? Obviously there is but one. We must stand up and take the punishment we deserve. We can take it submissively and have it hurt little or we can take it rebelliously and have it hurt much. But we must take it. And this means that the Federal Reserve banks must maintain high interest rates."

FRANCO-AMERICAN INVESTMENTS

(Continued from Page 444.)

there are already 43,471,000,000 francs of 4% rentes weighing on the market.

"If we had adopted a 3% type, we would have been obliged to put it on the market at such a low price that the reproaches of our colleagues on this side of the Chamber (extreme left) would certainly have increased still more.

"As for a simple 5% loan, it would not present any extraordinary interest (to subscribers). Furthermore, its market is already vast, since we have already issued 5% obligations for a value of 25,180,000,000. As for the creation, at the present moment, of a 6% rente, the Government did not wish to do it, for very simple reasons.

"In the first place, we would not have been able to place a 6% loan above par; it would have been necessary to issue it at the mathematic par, which inevitably would have given an interest considerably superior to that of the 5%, which gives 5.70%, and the 4%, which nets 5.65%. Such an issue would have for result a violent declassification of the former loans, and would inflict a loss on all their bearers, in such a manner as to discourage and to discontent the surest and the largest part of the clientèle on which we count for the success of the operation. Furthermore, an issue at the nominal rate of 6%, after the victorious result of the war, when none of the great nations had recourse to it, even in the midst of the hostilities, would be interpreted in a sense hardly favorable to our credit.

". . . Could we consider the 4½% or the 5½% types, intermediate rates which have never proved successful in France?

"I believe that the French public has not the taste for what is called a 'broken' interest rate. . . . As for the lottery loan, we considered that it could be reserved for a certain number of minor treasury operations, and, on the other hand, that it might be considered as a resource of tomorrow."

Thus the reasons for the 5% loan are made clear. The American subscriber has an obligation of the French Government, the certainty that his capital will be returned with a premium of 50%, a ready market, because even though this issue will certainly not be quoted in New York, any of the large banking institutions with foreign affiliations, such as the National City Company or the Guaranty Trust Company, will always offer a ready market for the sale of such securities. And the profit resulting from the normalization, or at least from the strengthening of exchange, is a factor that should be decisive in many cases.

Instead of the creation, at a great deal of expense, of complicated institutions for the financing of European industry, it would very likely prove more profitable for the American to watch closely the opportunities for profitable and conservative foreign investment, particularly in France and Belgium, where the financial future seems brighter than in Italy, and perhaps may prove brighter than in Great Britain.

PARIS, January 16.

Good "Baby" Bonds for Small Investors

Bonds Vs. Other Forms of Savings—What Qualities Are Necessary in a Good Bond for Small Investors?—A List of Attractive Issues

By **JACOB H. SCHMUCKLER**

FORMERLY a large proportion of the corporate bond issues of the country were taken up by comparatively wealthy persons who were looked upon as the chief supporters of the bond market.

In recent years, however, the small investor has been displaying an increasing interest in bonds, and the large interests have been quite solicitous about his presence. The Liberty loan campaigns accomplished the marvelous feat of, temporarily, at any rate, converting the American people into a nation of bondholders. Whether this has inculcated the habit of bond buying in this country, it is as yet difficult to say, but it can be emphasized that the attitude of American corporation managers and financiers is entirely receptive to using the savings of small investors in developing industries and the chief reason for the change is that the needs for capital are much in excess of the forthcoming supply, and will be for years very probably.

Ordinarily, the smallest denomination in which corporation bonds are issued is $1,000, that is, the smallest amount that the corporation will borrow from any bond creditor. The $1,000 represents, of course, par value, the amount which the investor receives at maturity and upon which he receives interest. One thousand dollars, however, is too large a sum for many persons to invest, especially if they desire the diversification in their holdings they should have. But there are a number of good "baby" bonds to be had, that is, issues available in less than $1,000 denominations, the principal smaller denominations being $500 and $100.

Why Buy "Baby" Bonds?

By discriminating investment in $100 bonds, the small investor can lay an excellent foundation for a comfortable competence. This bold statement brings up a number of considerations, however.

In the first place, most of the savings of the American working people, and the middle classes, find lodgment in savings banks and insurance policies, which have served them well. Their money has been well cared for, and they have received moderate interest returns. Many may ask therefore: "Why should we turn to bonds?" The point is that distributing savings in each of these three is desirable. For some purposes, a savings bank account is imperative, while a life insurance of some kind, especially for the man who has any responsibility, is almost as necessary as breath.

But investing in bonds has a few advantages over savings banks. For one thing, the rate of interest received is larger and none is lost by failing to comply with petty regulations. Not a day's interest need be lost. Say a man buys, on August 12, a $100 St. Louis-San Francisco prior lien 5% bond for 68. Interest on this issue is payable semi-annually January 1 and July 1. The purchase pays not only $68, but in addition the interest accrued from July 1 to August 12 (excluding commission charges). The interest that he pays, however, has already been accrued on the coupon which will be paid January 1. There is no loss in interest, excepting the slight one involved in the money which has been advanced on the interest accrued.

In the second place, good bonds furnish excellent collateral security upon which to borrow. Of course, it is not very difficult to borrow limited amounts on your insurance policy after premiums have been paid for a stipulated period, and in ordinary times a savings bank account is very easily turned into cash. Still, money once taken out of a savings bank account very seldom is completely made up, and the loaning power of an insurance policy is very limited. In the case of a good bond it is a very simple matter to go to almost any bank, where you are known of course, and receive a loan of a very considerable portion of the face value of the bonds deposited as collateral.

Requisites of Good $100 Bonds

Another big question is: What are the bases for making a discriminating choice of a $100 bond? Above all, the small investor must have safety of principal and interest. He can take no chances, for a few losses may set him back irreparably from the goal of Financial Independence. To secure these in any bond it is normally necessary to be consoled with a small rate of return or yield, but the way the bond market is now, it is not difficult to secure a high yield and safety.

The commonly accepted principle that the return yielded by an investment gives an absolute indication of its safety as to interest and principal should be applied with discrimination. Generally, this rule works, and particularly so during normal times in the bond market, but under pres-

ATTRACTIVE "BABY" BONDS

Issue	Maturity	Price About	App. Yield to Maturity
Government and Municipal—			
United States 1st Liberty 4½s	1947	91.86	4.78%
United States 2nd " 4¼s	1942	90.98	4.92
United States 3rd " 4¼s	1928	93.46	5.25
United States 4th " 4¼s	1938	91.20	4.98
United States Victory 4¾s	1923	98.20	5.30
City of Marseilles 15-year 6s	1934	90½	7.12
City of Lyons 15-year 6s	1934	90¾	7.25
City of Bordeaux 15-year 6s	1934	90½	7.12
United Kingdom of Great Britain and Ireland 5½s	1937	88	6.72
United Kingdom of Great Britain and Ireland 5½s	1922	94¼	8.75
United Kingdom of Great Britain and Ireland 5½s	1929	94¼	6.35
City of Tokyo 5% Sterling Loan	1952	59	8.25
Imperial Japanese Sterling 4½s, 2nd Series	1925	73⅞	10.00
Railroad—			
Atlantic Coast Line deb. 4s	1939	76⅛	6.14
Canadian Pacific 6% note cert	1924	97½	6.72
Colorado & Southern ref. & ext. 4½s	1935	72	7.68
Virginian Railway First 5s	1962	83	6.15
Western Pacific First 5s	1946	84¼	6.23
N. Y. Central Ref. & Imp. 4½s	2013	77	5.83
N. Y. Central deb. 6s	1935	92⅝	6.79
St. Louis-San Francisco pr. lien 4s	1950	57¼	7.68
St. Louis-San Francisco pr. lien 5s	1950	68	7.77
Norfolk & Western 1st conv. 4s	1996	76	5.67
Norfolk & Western conv. 6s	1929	103	5.60
Terminal Assn. of St. Louis 4s	1953	70½	6.09
Public Utility—			
Amer. Tel. & Tel. coll. Trust 5s	1946	81¼	6.50
Amer. Tel. & Tel. conv. 4½s	1933	84	6.20
Montana Power 1st & reg. 5s	1943	85	6.22
Industrial—			
Int'l Agric. Chem. 1st 5s	1932	82	7.27%
Lackawanna Steel conv. 5s	1950	94½	5.36
Amer. Smelting & Ref. 1st 5s	1947	84½	6.17
U. S. Rubber 1st & ref. 5s	1946	86⅝	6.01
Liggett & Myers deb. 5s	1951	88½	5.70
Lorillard (P) Co. deb. 5s	1951	85⅛	6.10
Lorillard (P) Co. deb. 7s	1944	108¾	6.28

ent abnormal conditions there are a great many exceptions. A high yield should not therefore lead the small investor to dismiss the consideration of any bond by saying: "It is too speculative."

Just as the cost of everything has advanced in recent years, so has the cost of capital, and the lender is, in the initial collection, securing the benefit of a world-catastrophe, though eventually higher prices may take away some of the gain. A 7% return today is no larger, considering the times, than was a 5% collection before the war.

The small investor must also be in a position to liquidate his bonds at short notice. In the case of a man having a small capital this is a more vital consideration than with larger investors, for his capital is limited; but he must, in addition, be very careful about being able to sell without great loss. In short, it is necessary that a bond have an active market, and that it fluctuate within comparatively narrow limits, at any rate as regards the down-side.

Full consideration of how small investors can protect their bond investments from market depreciation would take us too far afield. Suffice it to say that, after the severe and uninterrupted decline that the bond market has had in the past three years, the bond market appears to have reached about the bottom. The purchase of bonds today on an income basis affords the opportunity of a life time, and over the next few years the tendency of bond prices should work gradually upward. The person who buys bonds today is getting in on the ground; he can secure an exceptionally high return and safety and all indications point to profits from market appreciation.

A List of Attractive Issues

The accompanying table presents a number of carefully selected $100 bonds which, in my opinion, are suitable for small investors. The approximate prices that would have to be paid before adding accrued interest and commissions are also presented. These are given on a percentage basis, that is, 108¾ for the Lorillard 7s signifies that $108.75 has to be paid for a $100 bond aside from interest and commissions, the latter being very small, and $86.38 for the U. S. Rubber 5s, plus these charges.

The last column in the table gives the yield to maturity. This term can best be explained by a concrete example: A $100-bond of the St. Louis-San Francisco 5s pays 5% annually in interest, and to secure the annual income $68 must be paid. The current rate of return is about 7.35%; but in 1950 the investor will receive for his $68 the face value of the bond, $100, so that there is an appreciation of $32 in about 30 years, or about 1% a year. The complete annual return or yield to maturity is therefore about 8.30%, but the actual amount would be somewhat less because of various adjustments for compound interest.

It is not necessary to discuss the issues included in the table in any great detail. They are all well-secured, yield large returns and in a more normal bond market should show good market appreciation.

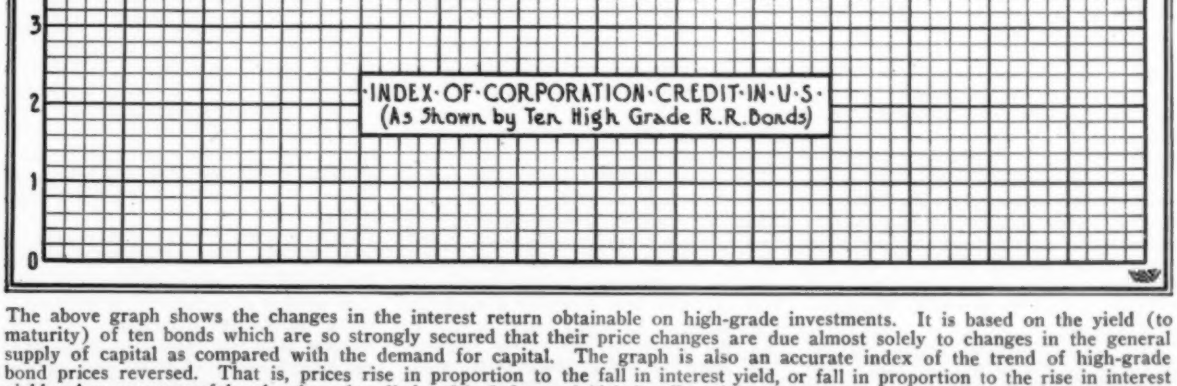
There are also good possibilities for profits in the conversion privileges of the Lackawanna 5s and the Norfolk & Western 6s. The United Kingdom of Great Britain & Ireland convertible 5½s, 1922 and 1929, offer good chances for speculative profits through appreciation in sterling exchange. The reason for the very high yield on the two Japanese bonds is to be found in their interest and principal being paid in sterling at the fixed rate of $4.87 a pound. The security of these bonds is first rate, and the high yield discounts the adverse effects of depreciation in sterling exchange. These bonds are available in 20 pound pieces.

Index of Corporation Credit in the U. S.

High-Grade Bonds, After Showing Improvement on the Average During January Declined to About December Low Records By End of Month

OUR index of corporation bond credit shows a slight decline over the previous month for the first time since October, 1919, but the January average is still the highest since the beginning of 1907, excepting December, 1919.

This slight improvement in the prices of high-grade bonds should not be taken too optimistically, however, nor can it be surely interpreted as a turn in the downhill road that high-grade corporation issues have been traveling since our entrance into the European struggle. The high prices of the ten bonds we use in compiling our average come mostly in the first two weeks of the month, and if the index had been computed on the basis of prices at the end of January, there would have been no improvement over the December figure, the low record. The advance in high-grade issues in the early part of January has not been sustained.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yields) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds

Why Standard Oil Preferred Stocks Sell High

Five Former Subsidiaries Enter Financial Market for First Time Since Organization—Union Tank Car the Only Issue Whose Comparative Merits Are Questioned

THE single event which has aroused more interest than any other in the investment community in recent months has been the entrance of five of the former Standard Oil Company subsidiaries into the market for the purpose of financing themselves. The companies which have thus far come forward have been the Standard Oil Co. of Ohio, Atlantic Refining Co., S. O. of New Jersey, Chesebrough Manufacturing Co. and the Union Tank Car Co.

Accompanying the new financing are details regarding the earnings and asset position of these corporations which go further into detail than previous statements of the Rockefeller companies. The explanation of this revised attitude toward the public is to be found in the intention of the former subsidiaries to have their stocks listed on the New York Stock Exchange. It has always been said, in the past, that the reason the Standard Oil stocks were not listed from the beginning was that the managements did not wish to supply the information concerning their companies which would be required by the listing committee of the Exchange.

A striking feature of the financing of the former Standard Oil subsidiaries is the fact that, although in every case their new stock issues have been of the preferred class, all five of the issues are non-voting. The natural assumption is that the companies do not wish to jeopardize, in even the remotest sense, the control of their enterprises.

The next most interesting feature of the new financing is the fact that, despite the non-voting reservation, the investment demand for these preferred stocks has in every case resulted in their advance from the subscription prices to levels levels not less than 5 points and in some cases as much as 15 points higher.

Atlantic Refining Company

Financing of the Atlantic Refining Company consists of a new issue of $20,000,000 7% cumulative preferred stock, put out in conjunction with an increase of $45,000,000 in the common stock to $50,000,000. Like all the other new preferred stocks of the companies we are considering, this issue is non-voting; and it is retirable at any dividend date after five years upon 30 days' notice at $115 a share. The company may increase or decrease the common stock from time to time, or create one or more additional classes of stock, but none of such additional classes may be ahead of this preferred issue in respect to payment of dividends or in the event of liquidation or dissolution.

The Atlantic Refining Company has not increased its capitalization since 1892. The company's policy since its organization has been to finance its growth from its own earnings. Today, however, Atlantic Refining chooses to enter the investment market for financing purposes because large Federal taxes are now preventing accrual of profits for business purposes, as heretofore, and the purchasing power of the dollar has sunk so low as to require the addition of new capital to the business.

The preferred stock issue was heavily oversubscribed and recently sold on the Curb Market at $115 a share, to yield approximately 6.08%.

The safety element behind this issue lies in the fact that, including the recent financing, the net assets of the Atlantic Refining Company amount to about $76,000,000; or $380 per share of new preferred stock; and dividend requirements of $1,400,000 a year for the new issue were covered more than five times in 1918 by earnings of $7,410,000. The company's earnings after taxes in the years 1915 to 1918, respectively, were $5,592,000, $9,628,000, $9,006,000 and $7,410,000—a four-year average of $7,909,000. At its present price of around $115, yielding about 6.6%, the Atlantic Refining preferred appears a high-class investment.

THE NEW STANDARD OIL PREFERRED STOCKS.

Company.	Amount of Pfd. Issue.	Subscrip. Price.	Redempt. Price.	Recent Market.	Div. Rate.	Current Yield.
S. O. Ohio......	$7,000,000	$100*	$115	112†	7%	6.25%
Atlantic Refg.....	20,000,000	100*	115	115	7%	6.08%
S. O. New Jersey	100,000,000	100*	115	115	7%	6.08%
Chesebrough	1,000,000	100*	112.50	107	7%	6.54%
Union Tank	12,000,000	100*	115	105†	7%	6.66%

* Par. †When issued.

Chesebrough Manufacturing

The Chesebrough Manufacturing Company limits its new financing to an issue of $1,000,000 7% preferred, cumulative as to dividends and non-voting. The purpose of this new issue was to facilitate the extension and improvement of the company's marketing facilities in foreign fields.

The interesting feature in connection with the Chesebrough financing is an amendment to the charter of the company authorizing it to extend its operations. Heretofore, Chesebrough Manufacturing has confined itself principally to the manufacture of medicinal preparations and ointments, such as vaseline. It now contemplates entering the production field, and its charter has been amended to permit it to "drill, produce and explore for oil, gas or other volatile or mineral substances. On how extensive a scale the Chesebrough Company intends to go into the producing end of the business, and what the potentialities of its properties may be in this direction is not yet known; however, the company intimates that the scale will not be small when it says that its "business is likely soon to require considerable expenditures for the increase of its productive plant."

The latest available balance sheet of the Chesebrough Mfg. Co., with addition of new preferred financing, that for June, 1919, shows net assets of approximately $4,003,657, equivalent to over $400 per share of the new preferred stock. In the eight years from 1899 to 1906 the average net profits of the company amounted to $157,447, equal to 31.5% on the $500,000 capital stock outstanding. In the succeeding eight years the company's earnings increased materially, judging from the increase in dividend during that period to an average of 40%. The company's business appears to be of a very substantial and lasting character, its organization is aggressive and efficient and the new preferred stock can be rated as a strong investment opportunity at present levels of around $107 to yield 6.54%.

Union Tank Car Company

The financing of the Union Tank Car Co. represents the only one of the new Standard Oil preferred issues which does not call forth optimistic comment in well-informed circles. The issue consists of $12,000,000 cumulative non-voting 7% preferred, retirable after five years at $115 a share.

The proposed issue of Union Tank preferred is for the purpose of providing funds for the purchase of new tank cars. On account of a large increase in the amount of business offered the company, Union Tank Car contracted for 5,500 all-steel tank cars of 10,000 gallons capacity each, to be delivered in 1920 at a cost of approximately $17,000,000. The $12,000,000 derived from the sale of preferred stock will be applied to the purchase of these new cars, the balance of their cost to be paid out of current earnings.

One point that is raised in connection with the expansion of the Union Tank Car Co. is the increased cost of tank cars without a corresponding increase in rental rates. It is pointed out that, whereas tank cars before the war cost in the neighborhood of $1,000 and up, they now cost from $3,000 up; rentals from cars, however, have only increased about

100%. That earnings of the company will suffer somewhat by reason of these inequalities is believed likely.

The net assets of the Union Tank Car Co. behind the $12,000,000 new preferred are figured at approximately $37,000,000, equivalent to about $308 a share. The average earnings of the company for the 4¾ years from 1915 to September 19, 1919, amounted to $2,383,074, and the dividend requirements of the new preferred issue are only $840,000 a year. Although there is practically no question regarding the ultimate security of this issue, the fact remains that it does not rate as high as the other preferred stocks reviewed here, which probably accounts for the fact that it is selling, on a when-issued basis, at the comparatively low figure of $105 a share, to yield about 6.66%.

Standard Oil of New Jersey

The financial history of the Standard Oil Company of New Jersey, once the parent company of the Standard Oil combine, reads like a tale from the "Arabian Nights." Earnings of the company from 1912 to 1917, after deducting Federal taxes, swung from $35,000,000, in round numbers, to $80.000,000. Earnings in 1918 fell off to $57.000,000, but only after deducting $19.000,000 in Federal taxes in excess of the corresponding deduction for the previous year. This tax item is subject to adjustment. In connection with the new preferred stock issue, Chairman Bedford stated that, while the plants and equipment of the company appear in its balance sheet at cost, less depreciation, and without regard to good will or to the very considerable enhancement of values created over a period of years, it will be seen that there exist $562,000,000 of assets in excess of all obligations behind the proposed new preferred stock issue.

The new Standard Oil of New Jersey preferred stock consists of $100,000,000 7% non-voting stock, redeemable after three years at 115 plus dividends. The issue is believed to be intended largely for handling the tremendous foreign business of the company, and it is said that the company contemplates the granting of credits abroad where requirements are at present in excess of ability to pay. An official statement of the company says, in effect, that plans already under way call for ensuring the continuity of a substantial proportion of Standard Oil of New Jersey's future supply of crude oil, as well as maintaining a cash reserve against contingencies, the active prosecution of the company's program of enlarging its refining facilities, the expansion of its transportation systems and the extension of its distributing plants.

In view of the incomparable success of the Standard Oil Co. of New Jersey, its tremendous and powerful organization and earning power, the new preferred stock, around $115 a share, to yield approximately 6.08%, can be considered as of the highest grade.

Standard Oil of Ohio

The fifth and last of the former Standard Oil subsidiaries to finance itself through the sale of preferred stock is the Standard Oil Company of Ohio. The issue consists of $7,000,000 7% cumulative non-voting preferred, accompanied by an increase in the common stock from $7,000,000 to $14,000,000.

Judging from the company's analysis of its preferred stock issue, the Standard Oil Company of Ohio has been put to it to keep step with the huge increase in oil requirements of this country. In the past four years the company's refinery at Cleveland has been practically rebuilt and its capacity more than doubled, but such expansion has been found inadequate, and construction of an additional refinery has been found necessary. This new construction, started prior to the war, was suspended until recently; and now the prices for material and labor have become so high as to swell the probable cost of the new construction out of all proportion to original estimates. Distributing facilities and equipment are also said to be badly needed by the company, and to obtain them at present increased prices new funds must be obtained.

Assets of the Standard Oil Company of Ohio, following the new financing, will amount to over $25,000,000, equivalent to about $359 a share. Earnings for the seven years from 1912 to 1918, inclusive, average $2,325,336, while dividend requirements of the new preferred stock will amount to only $490,000 a year. Earnings of the company for the first half of 1919 amounted to $2,081,598, or very close to the earnings for the full preceding year.

Although the company will probably require the expenditure of considerable amounts for the expansion of its facilities to meet up-to-date requirements, it is confidently believed that the new financing will make that possible. The safety element of the new preferred stock is unquestioned in good circles and, at $112 a share, on a when-issued basis, to yield 6.25%, the preferred stock may be considered an excellent investment.

All the issues here discussed appeal, of course, only to the strictly conservative investor, who considers assured safety above interest return in the placing of his investments. Higher yields, accompanied by that reasonable degree of safety which satisfies the average investor, can be obtained, under present money conditions, in many other securities.

Inter-Allied Indebtedness

IN a very remarkable article in *The New Republic,* Mr. Maynard Keynes, prominent economist, who acted as the principal representative of the British Treasury at the Paris Peace Conference and sat as deputy for the Chancellor of the Exchequer on the Supreme Economic Council up to June 7, 1919, summarizes the war debts contracted among the associated governments[1] as shown in the accompanying table.

This compilation is the most complete and authoritative that has as yet come to hand. A total of nearly twenty billion dollars of debts among the associated governments themselves to say nothing of the great indebtedness contracted by these several countries to private investors, both at home and abroad, calls for serious attention.

Loans to	By United States.	By United Kingdom.	By France.	Total.
United Kingdom	$4,210,000,000	....	....	$4,210,000,000
France	2,750,000,000	$2,540,000,000	....	5,290,000,000
Italy	1,625,000,000	2,335,000,000	$175,000,000	4,135,000,000
Russia	190,000,000	2,840,000,000[2]	800,000,000	3,830,000,000
Belgium	400,000,000	490,000,000[3]	450,000,000	1,340,000,000
Serbia and Jugo-Slavia	100,000,000	100,000,000[3]	100,000,000	300,000,000
Other Allies	175,000,000	395,000,000	250,000,000	820,000,000
Total	$9,450,000,000[4]	$8,700,000,000	$1,775,000,000	$19,925,000,000

[1]The figures in this table are partly estimated, and are probably not completely accurate in detail; but they show the approximate figures with sufficient accuracy for the purposes of the present argument. The British figures are taken from the White Paper of October 23, 1919 (Cmd. 377). In any actual settlement, adjustments would be required in connection with certain loans of gold and also in other respects, and I am concerned in what follows with the broad principle only. The sums advanced by the United Kingdom and France, which are in terms of pounds and francs respectively, have been converted at approximately par rates. The total excludes loans raised by the United Kingdom on the market in the United States, and loans raised by France on the market in the United Kingdom or the United States, or from the Bank of England.

[2]This allows nothing for interest on the debt since the Bolshevik Revolution.

[3]No interest has been charged on the advances made to these countries.

[4]The actual total of loans by the United States up to date is very nearly $10,000,000,000.

The Art of Hedging

Maximum Profits and Minimum Losses—Convertible Issues as a Trading Medium—Safety First Operations in a Dangerous Market

By **BENJAMIN GRAHAM**

WEBSTER defines "to hedge" as "to protect oneself from loss by betting on both sides." Hedging as a commercial operation is practiced quite generally among flour millers and cotton spinners. While the details thereof might appear rather complicated, in essence it consists of selling "futures" short at the time the staple is purchased, so as to guard against fluctuations in price during the period of manufacture.

In the securities market a form of hedging very common on foreign Stock Exchanges is the use of puts or calls against long or short stock respectively. If a man purchases one hundred shares of U. S. Steel at 106, for instance, he might limit his possible loss by buying also a put good for thirty days at 102. This means that however low the stock may break, he has the right to sell it at any time within the next month at 102, so that his maximum loss under the worst possible conditions would be $400 plus the cost of the put (and commissions). This arrangement is often preferable to a stop loss order, because it guards against loss through a temporary fluction. Should Steel drop to 101½ and then rally to 115 during the month, the man with a stop loss order at 102 would have been forced out at his limit, while a put would have carried him safely through to a large ultimate profit.

The purpose of this article is not, however, to discuss either hedging in commodities or the use of privileges in trading, although both might well deserve extended treatment. We intend to discuss a similar class of market operations, which is little understood or appreciated even by professionals, and which nevertheless affords the opportunity of excellent profits with very moderate risk.

Hedging Between Bonds and Stocks

What we have in mind is the simultaneous purchase of one security and sale of another, because the first is relatively cheaper than the second. Where the security bought sells lower than the one sold, there must be good reason for believing that the price of the two will come closer together,—and conversely for the opposite circumstance.

Without further tarrying on the general theory involved, let us hasten to a concrete example. On November 2, last, let us say, we purchase $10,000 of Lackawanna Steel convertible 5 per cent bonds, due 1950, and at the same time sell short 100 shares of Lackawanna Steel stock at 100. Should Lackawanna continue its headlong advance, we might be forced to convert our bonds into stock, in order to make delivery of the shares we sold. In this case our operation would have proved unsuccessful—we should have lost $25 and commissions. But if the stock declines it is evident that the bonds will not suffer as severely, because their investment rating alone assures them of a certain minimum value. In actual fact, at this writing the stock is down to 83, while the bonds hold firm around 94. We could therefore undo our little operation by selling the bonds for $9,400 and buying back our stock for $8,300. This would show a net credit of $1,100, from which expenses and the original difference of $25 are to be deducted, still leaving a net profit of over $1,000.

Here then was a venture which under the most unfavorable conditions could have shown a maximum loss of only $56.50, but contained by no means remote possibilities of a thousand dollar profit. Not a bad chance, was it? Add further that it required little capital (as the money really tied up was negligible), and that the carrying charge was insignificant since the bond interest almost offset the dividends on the stock. How much safer this is than the ordinary market commitment is apparent when we consider that the man who bought the 100 Lackawanna at par is out $1,700, if he still holds it; while on the other hand if Republic had been sold short when *it* reached par, the speculator would soon afterwards have faced a forty point loss.

This is a good opportunity to point out the technical difference between hedging, as described above, and arbitraging. An arbitrage is supposed to assure a definite profit within a fairly definite time. If, for instance, it had been possible (as no doubt it was for the bond specialist) to buy Lack. Steel convert. 5s at par, and simultaneously sell the stock at 100¼, such an operation would have constituted a real arbitrage. For the bonds could have immediately been converted and the new stock delivered, with a $25 profit.

The arbitrageur always expects to exchange the security he buys for the one he sells; the hedger will only do so if he must, and usually suffers a small loss thereby. His profit is found in selling out what he buys and buying in what he sells at a more favorable difference, or "spread," then at the beginning of the operation. The arbitrageur may of course delay converting in the hope of undoing his operation to better advantage in the market. He then becomes a hedger, but with an assured minimum profit instead of merely a miximum loss.

The relation of these two operations is very prettily shown by the Southern Pacific situation last October. At that time any one could have sold a large quantity of stock and replaced it by the convertible 5 per cent bonds at apparently ¼ point cheaper. In reality, however, the adjustment of accrued dividend and interest on conversion would have made the bonds about ¼ point higher than the stock. The supply of bonds was forthcoming from specialists who had been able to sell stock on rallies, above the corresponding price of the five per cent bonds, and who were about to present the bonds for conversion. They of course were glad enough to obtain an extra ¼ point profit by buying the stock and selling the bonds instead of converting. As it turned out, the trader who took over the bonds on this basis would have fared better than the original owner, because on the subsequent break he could have bought back the stock and sold his bonds at a five points difference. This would have meant about 4½ points "easy money" for a shrewd hedger.

Even experienced "hedge artists" often forego the chance of excellent profits because they wait in vain for the possibility of loss to be reduced to too small a figure. For example, in the ill-fated boom of Allied Packers stock last October, it sold at 66, while the convertible 6 per cent bonds were quoted at 91. Each $1,000 bond was convertible at any time for thirteen shares of stock, so if bought at 91 they constituted a call on the stock at $70 per share. The purchase of eight bonds at that time, together with the sale of 100 shares of stock at 66, would have subsequently shown no less than $3,200 profit, for the stock sold down to 26 with the bonds at 82. On the other hand, no matter how much higher the stock might have gone, the loss on this deal was absolutely limited to $400—the difference between 66 and 70. In this case, however, the temptation was to buy the bonds, and to wait for the stock to go a little higher before selling. Alas! the wait would have been in vain.

Preferred Stocks

Convertible preferred stocks present the same opportunities for hedging operations as do the bonds. A current example is Gilliland Oil preferred, which is exchangeable at any time for twice as many shares of common. On January 15, the preferred could have been bought at 100 and the common sold at 49. The maximum loss, in case of a great advance of the common, would have been two points per share of preferred, which in fact would have been made up by the $2 dividend coming off the latter on February 2. As it happened, two days later the common was down to 43, while the preferred was actually higher at 101. Thus on a hundred shares of preferred and two hundred common, there was a chance for $1,300 gross profit in two days, with negligible risk.

If someone with a little nerve had sold Pierce Arrow at 99 against a purchase of the preferred at 110, his courage would

have been well rewarded. Yet his very greatest loss could not have exceeded eleven points, since the preferred is exchangeable for common, share for share—and in addition had the advantage of an 8 per cent dividend against nothing on the common. There is today a difference of about thirty-five points between the two issues, so that this not especially risky operation would now show a profit of well over twenty points.

Rights to subscribe to new stock can sometimes be made the basis of profitable hedging operations, especially when the stock is selling close to the subscription price. In such cases the rights can be bought and the stock sold against them, with the idea that should the shares fall below the subscription figure the rights can then be discarded and the stock bought in at a profit. Unfortunately for such schemes, inside manipulation usually keep up the price of the issue until the rights expire, in order to stimulate subscriptions. The severe declines, as in the case of Sinclair Oil and Pan American Petroleum, usually come a little after the expiration of the rights,—that is, too late for value to the hedger. Studebaker and Saxon Motors are recent instances of the stock falling below the offering price of the new stock before the last day for subscribing.

The "Straddle"

Perhaps the best way to operate with rights is to straddle,—that is to play the market for both an advance and a break. This can be done by selling only half the stock corresponding to the rights purchased. It is very important here that the price of the rights be very low, and they still have a substantial period to run. A good current example is that of Simms Petroleum. On January 15, when the news of salt water in the Homer Field was published, this stock declined to 47, and the rights to 1. The latter entitled the holder to obtain one new share of Simms for each two rights, on payment of $47.50, the privilege expiring February 2. Since the oil stocks were then in a highly speculative position, Simms Petroleum held possibilities of either a big further slump or a radical recovery within the next two weeks. It appeared a good idea, therefore, to purchase say 400 Simms rights at 1, and sell only 100 shares of the stock against them at 47. The trader would then have been in a position to make profit from a wide move in either direction. Had the stock fallen to 40, for example, he could have covered his 100 shares with a gain of $650, and thrown away his rights, which cost him $400—leaving him still over $200 to the good. On a recovery to 55, however (which subsequently happened) he would have used 200 of his rights to replace his short stock, and disposed of the other 200 rights at a nice profit. The reader can easily calculate that in this case he would have made $300, less commissions.

Operations of this kind, involving rights, are very similar to the use of puts and calls for hedging purposes alluded to at the beginning of this article. Rights to subscribe are neither more nor less than calls issued by the company. But practically speaking, these rights usually carry a more attractive option, in proportion to their cost, than does the ordinary 30-day privilege.

In the types of hedging heretofore considered the trader is always in a position to obtain the security he has sold, at a fixed price—either through conversion or by subscription. Yet one is often justified in selling one security against purchase of another, with no other safeguard than the definite knowledge that the two prices are far out of line.

On December 29 last, B. R. T. certificates of deposit sold at 5, while the undeposited stock was quoted above 10. It was true that the deposit agreement made withdrawal unusually difficult, but this was an entirely inadequate reason for the free stock selling at twice the price of the certificates. The two represented exactly the same property rights, and further there was enough stock in the control of the committee to enable it most probably to force the undeposited shares to accept their reorganization plan, when finally adopted. Hence the investor was running very little risk in buying 200 B. R. T. certificates at 5 and selling 100 shares of free stock against them at 10¼. Temporarily the spread might have widened perhaps, but ultimately the two prices were bound to approach each other. The latter happened very quickly in effect, as a few days later the certificates had advanced to 7 while the stock remained at 10¼. Today the trader could sell his certificates at 10 with a gain of $1,000, and cover his stock at 13¼—a loss of only $300—showing an excellent net profit on a very modest commitment.

A very similar opportunity was presented last November, when Interborough-Metropolitan 4½s broke to 13¾, while the preferred stock was selling at 12½. Considering the priority of lien "enjoyed" by the bonds, a spread of only 1¼ points between the two issues was ridiculously small. This has now widened to six points (which is still insufficient), but which nevertheless would allow a handsome profit to the man who bought the bonds and sold the stock at 13¾ and 12½ respectively. At the present time one or two of the Missouri, Kansas & Texas bond issues—the St. Louis Division 4s, for example,—can be bought only a few points above the 4 per cent non-cumulative referred stock; while in view of the large accruals of interest and their prior lien, they should of right be selling at a much wider spread.

Discrepancies Are Common

Discrepancies of this kind occur in almost endless variety and most of them can be availed of to advantage. But in many cases the outside trader cannot conveniently go short of the overvalued security, because of the difficulty of borrowing for an indefinite period and the interest problem. Nevertheless those who are holding the issue which is selling too high have every reason in the world for switching into the cheaper security. In the very first article of the present writer to appear in THE MAGAZINE OF WALL STREET (in September, 1917), he pointed out that there was no adequate reason for the ten point spread then existing between Japanese 4½s, "plain" and "German Stamped." The man who exchanged from the former into the latter would now be ahead exactly ten points, since the Stock Exchange has abolished the stamp discrimination entirely as to these bonds, so that they all have exactly the same value.

The latter point is made in order to indicate that the three operations of switching, arbitraging and hedging all have very much in common, and that we may easily pass from one to another. They are all based upon exact information and analysis, and their success is usually entirely independent of market movements. At the present time, when the outlook is so clouded with uncertainty, the trader might well turn his attention for a while to the unspectacular, but safely profitable, business of hedging.

Prices Move Upward on Vienna Exchange

VIENNA, December, 1919.—The upward trend of prices on the Vienna Bourse has not ceased. While the danger of a general economic collapse as a result of the peace treaty and the continuance of an independent German-Austrian state draws nearer and nearer, while the number of factories closing down because of lack of coal increases daily, and while the government, at a loss how to pay for food, is deciding to sell the art treasures of the former Hapsburg monarchs, the stocks listed on the Bourse continue to advance from 10 to 100%, and in some cases even more. To give an idea of the movements during the last month, I have pictured the following table:

Name of Stock.	Price in Kronen, December.	Price in Kronen, November.	Increase in %.
Zivnostenska Banka	1475	687	115
Southern Rwy. Pfd.	669	447	50
Rima muranyer	1480	1082	37
Rouston	1140	605	90
Skoda	1210	826	46
Danube Steamship	2895	2238	30
Frederick's Works	3370	2200	53
Prague Iron	3820	2998	30
Veitsch Mang. Wks.	5100	3000	70
Schoell Sugar	1920	1475	30

The main reason for this wild advance, which was described in a previous communication to THE MAGAZINE OF WALL STREET, lies in the fact that people seek to rid themselves of the Krone. "Die Flucht vor der Krone," as Professor Schumpeter calls it, and it is difficult to see how Austria will emerge from this hopeless chaotic situation.

Patience is a necessary ingredient of genius.—DISRAELI.

But what minutes. Count them by sensation, and not by calendars, and each moment is a day, and the race a life.—DISRAELI.

The disappointment of manhood succeeds to the delusion of youth: let us hope that the heritage of old age is not despair.—DISRAELI.

Railway Steel Spring Wipes Out Funded Debt

Earnings for 1919 Probably Below 1918—Acute Need of New Railway Equipment—What Company's Outlook Depends On

By **JOHN MORROW**

ONE of the interesting features of the stock markets during periods of drives against prices has been the comparative steadiness of the shares of the equipment companies. As a class they have been quite in the foreground during the upward swings in the market, and during the breaks there has been no great concentrated attempt to smash their quoted values.

Everyone, that is, everyone except perhaps a few Congressmen, knows that the railroads are in need of additional equipment of almost every kind and character, and that given sufficient credit assurances the carriers would probably place contracts totaling well into the millions or hundreds of millions. Also replacements to make good the wear and tear of the past three years mean a total of a tidy sum in contracts. But also, as everyone knows, the railroads are in no position just now to take any chances with their credit position if it may be allowed that they have one.

Early in 1919 it was quite confidently expected that foreign demands for railroad equipment could place very substantial contracts in the hands of American manufacturers. There have been numbers of foreign orders placed here, but it is doubtful if they have aggregated in amount the totals hoped for a year ago. Of course, the upset in foreign exchange has been a great detriment, and until there can be some degree of stabilization in exchanges and some definite promise or plan of extending credits to foreign interests on a reasonably satisfactory basis it is likely that foreign orders will represent only acute and unavoidable necessity. On the surface, at least, these factors would seem to be used as an argument against the shares of the equipment companies, but such has not been the case.

TABLE I—RWY. STEEL SPRING'S GROWTH.

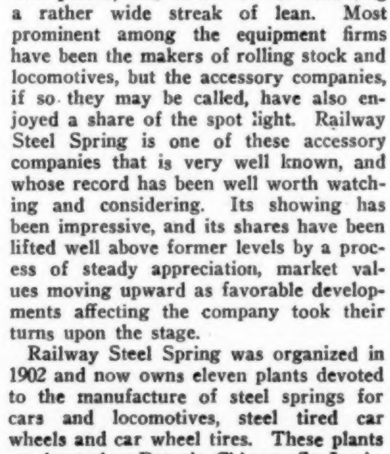
Year. Dec. 31.	Gross Income.	Net Income.	Earned on Common.
1911..	$6,160,496	$984,787	$0.29
1912..	9,041,079	1,723,978	5.77
1913..	7,688,185	1,121,660	1.31
1914..	4,351,465	374,454	*4.23
1915..	7,043,957	1,363,229	3.09
1916..	14,086,499	3,710,805	20.49
1917..	23,905,714	5,307,860	32.32
1918..	25,182,032	3,426,100	18.38

*Deficit.

The permanent size of the foreign business is open to conjecture, as it seems probable to expect foreign makers gradually to increase their production to more nearly meet their own demands and to make them independent of the American manufacturer. What the American makers may do to establish a substantial market for their products in South America and in the Far East also depends upon several factors, among them the speed with which European makers of equipment are able to enter markets outside of their own, and also upon conditions under which the American must meet his foreign competitor. The opinion may be advanced, for the long run, companies in the United States making railroad equipment must continue to look to the railroads at home for their bread and butter, with foreign business representing the cake, if you like.

All of the American equipment companies prospered exceedingly during the war period, this streak of fat following a rather wide streak of lean. Most prominent among the equipment firms have been the makers of rolling stock and locomotives, but the accessory companies, if so they may be called, have also enjoyed a share of the spot light. Railway Steel Spring is one of these accessory companies that is very well known, and whose record has been well worth watching and considering. Its showing has been impressive, and its shares have been lifted well above former levels by a process of steady appreciation, market values moving upward as favorable developments affecting the company took their turns upon the stage.

Railway Steel Spring was organized in 1902 and now owns eleven plants devoted to the manufacture of steel springs for cars and locomotives, steel tired car wheels and car wheel tires. These plants are located at Detroit, Chicago, St. Louis, Pittsburg, Depew, New York, Hudson, N. Y. For five years prior to 1915 the equipment companies had their ups and downs, and in the case of Railway Steel Springs it was mostly downs; that is,



insofar as balances for the common stock were concerned. It was quite sufficient for the company to be satisfied with paying dividends upon the preferred stock without rewarding holders of the junior shares. The accompanying table will indicate the trend of annual earnings, and illustrate when the big break for the better came. This turn occurred in the year which ended December 31, 1916. In the seven years from 1909 through 1915 the

TABLE II—RWY. STEEL SPRING'S BONDED DEBT AND WORKING CAPITAL.

	Working Capital.	Bonded Debt.
1913..........	$4,372,278	$6,901,000
1914..........	3,728,478	6,628,000
1915..........	4,638,314	6,358,000
1916..........	6,735,759	6,093,000
1917..........	9,313,679	2,967,000
1918..........	8,518,620	*.......

*None.

company had earned only a total of $21.78 on the common stock, or, figured in another way, the total surplus in those seven years, allowing for a deficit in one year when the preferred dividend was not earned, was $2,371,941, whereas in 1916 the surplus available for common stock was $2,765,805. In short, the company earned more in that one year than it had in the seven preceding years. Such figures, on their face, seem startling, but they are not as surprising as they might have been had not many other industrial corporations practically duplicated the performance.

The Progression of Earnings

Good business continued through 1918, although there was a drop in the latter period when compared with 1917. However, in the three years ended December 31, 1918, total earnings on the common stock were over $71, of which only $12 was paid out in dividends, leaving a net acquisition to asset value of about $59 a share. Right here it might be mentioned that in 1918 the company apparently set up a special reserve fund of $2,000,000 out of earnings, which is deducted before making the above share balances. With this added to net earnings the result in 1918 would have been close to $33 a share on the common.

At the beginning of 1919 companies like Railway Steel Spring were in a most satisfactory general position and condition, and of that company it was said orders were sufficient to mean large operations for at least the first half of the year. The great earnings of the war period did not come from the regular

lines of business, but mainly from contracts with the Government for war materials. The end of the war brought a cessation of such contracts, but there was an overhang in 1919 due to adjustment of contract payments, etc. It is quite likely in the 1919 profits of many industrial corporations, such as Railway Steel Springs, there will be included the final results from these contracts, which will not reflect the earnings from ordinary sources, and, consequently, cannot be used as a correct index for a gauge of the regular business.

No specific reports as to the business of Railway Steel Springs in the last half of 1919 are available, but it is generally recognized that operations of most equipment concerns were far from capacity and business was anything but brisk. Consequently, the opinion may be ventured, although it is in no wise official, that when results for the year 1919 are made public, share balances on common stock will be seen to have been smaller than those for the preceding year. That, however, need not in itself be discouraging or be regarded as an indication of permanently diminished earning power. 1919 was a year of transition, and would be an erratic measure by which to determine post-war revenues of almost any industrial corporation.

Quite as interesting as the earnings record of Railway Steel Springs, if not more so, is a consideration of the change in the capital structure of the company which has occurred during the past five years. At the end of 1911 the corporation had a funded debt of over $7,000,000. Today it has none. Back in 1906 the management was faced with the problem of raising additional working capital and of increasing plant efficiency and facilities. The Latrobe Steel Company property was purchased in that year and bonds issued against that acquisition. Five years later the company purchased a plant at Chicago Heights, Ill., and issued another block of 5% bonds against the purchase of that property. Both of these transactions were quite in keeping with accepted financial policy and served the double purpose of adding going plants with established earning power and furnishing additional working capital.

Both of the bond issues carried a sinking fund through the operation of which the amount of securities outstanding was gradually diminished, until at the end of 1916 it aggregated a trifle over $6,000,000. In 1917, $3,126,000 bonds were retired, and finally in October, 1918, all the remaining outstanding bonds were paid off, leaving Railway Steel Springs free of funded obligations. The net result has been that in a period of about nine years the company has been able to pay for the plants acquired out of earnings and leave them unmortgaged.

This saving in interest charges and sinking fund brought about by the retirement of the bonds has meant an increase in the earning power of the share capitalization, or at least it has the effect of increasing the amount available for dividends. For example, 5% interest on $6,000,000 bonds annually, together with the sinking fund provision meant obligatory charges of about $435,000, which is equivalent to over $3 a share on the outstanding common stock.

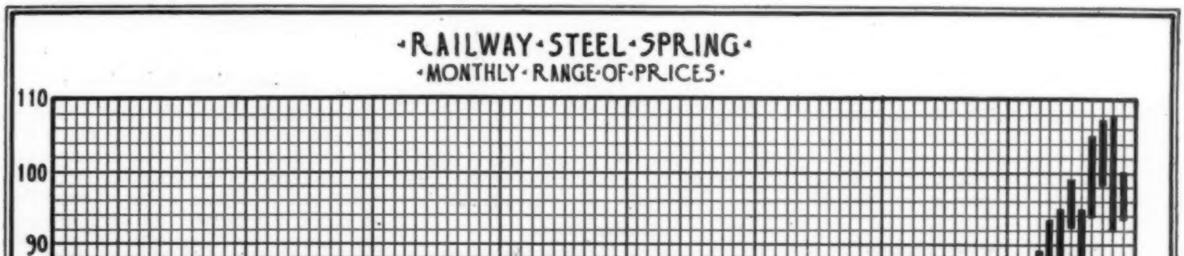
Effect Upon Working Capital

During the period in which the company was working to decrease funded debt and to pay off bonds by earnings there was no retrogression in working capital. Each year has shown an increase in this account. The accompanying table will show this change year by year. It will be noted at the end of 1911 net working capital was $4,106,479, whereas at the end of 1918 it was more than double. Naturally the great increase in gross business during the period furnished the necessity for greater working capital, as the volume of business measured in dollars expanded four times and the total of over $25,000,000 in 1918 was the largest in the history of the company up to that time.

There are no figures available to indicate the current financial position of the company, but last summer it was reported that current bills constituted the only debt and working capital was in excellent shape. At the end of 1918 the only current liabilities consisted of about $753,000, outside of reserves for taxes and appreciation. Another interesting item as of that date was that investments carried on the books of over $5,000,000 were mainly represented by Government securities to cover Federal taxes.

The margin of profit in any business is

(*Continued on Page* 457.)



Lackawanna Steel Well Fortified

War Time Earnings Conserved to Strengthen Company's Resources—Large Hidden Assets Disclosed—Asset Accounts Deflated

By **ELI S. BLAIR**

LACKAWANNA Steel's earnings last year were about sufficient to cover rest charges and depreciation, but not dividend payments on the common. This poor showing was mostly caused by the steel and coal strikes, which hit this company especially hard. To some extent the failure of the Railroad Administration to come to terms as regards rail prices had some influence, as also the general stagnation of the steel industry in the first half of the year.

So strong was Lackawanna's position, however, that at no time was there doubt of its ability to keep up dividend payments at the rate of 6%, though earnings for the first three quarters of 1919 showed only $3.75 per share and the last quarter was enough of a deficit to wipe out this amount. In the four preceding years it had earned $111.42 a share, of which $26.50 had been paid out, leaving a surplus of $84.92 to take care of just such contingencies as this.

Now Lackawanna is facing a period of great demand for all classes of steel products, and more particularly of an increased demand for a product in which it has distinguished itself in the past, namely, heavy steel rails. At one time about 35-50% of its capacity was taken up in manufacturing rails—now rail production is about 20% of its total tonnage, and less than half of total rail capacity. Operations are estimated for the corporation at 50% of capacity, because of the disruption of the operating organization, but orders booked have been very heavy, probably enough to carry it well into the second quarter.

Lackawanna's Property

Lackawanna is a producer of coal, coke, iron ore and steel; makes up its own steel into semi-finished and finished products, and has had the reputation of being the cheapest rail producer in the country. Its output ranges from sheet slabs, billets and blooms to plates, structural steel, angle bars, fittings and the like, and light and heavy rails. At the present time merchant steel products, of the semi-finished type, occupy about half of its total production.

In common with the other large producers, it has turned from the Bessemer to the open hearth method of steel production. In 1909 it produced by the Bessemer process 600,826 tons, and by the open hearth method 412,136; in 1918 the figures were 81,399 and 1,480,348, respectively. The combined production has therefore increased from about 1,000,000 tons annually to about 1,500,000; at the same time the pig iron production of the company has remained fairly stationary between 800,000 and 1,000,000 tons. It would therefore seem that some 33% of Lackawanna's current production of steel is made from pig iron supplied by outside sources, a fact of considerable interest in view of the present sold-up state of the pig iron market and its advancing prices.

The flexibility of Lackawanna's production is shown by the increase of merchant steel products from 41,607 tons in 1909 to 512,421 in 1918, while light rail output, largely used by public utility companies, declined from 33,787 to 13,119, while the increasing need of the company for its own output of pig iron is shown by its decrease in shipments of this commodity from 115,044 in 1909 to 7,078 in 1918.

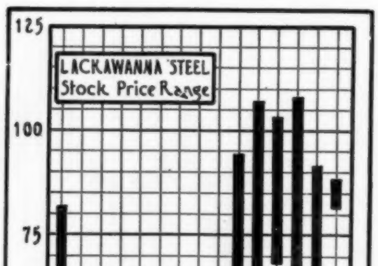
The operating costs of Lackawanna have shown a remarkable decline as volume of business increased. Having run at about 80% before the war, in 1917, the year of greatest prosperity, they were cut down to 60%, and even in 1918, when higher manufacturing costs began to offset partially the higher prices of the company's product, the ratio was only 70%.

LACKAWANNA STEEL OPERATIONS

	Gross Sales	Ratio of Operating Expenses to Gross Sales
1909........	$25,296,661	81.4 %
1910........	31,302,760	79.8
1911........	21,040,387	82.6
1912........	27,266,376	81.8
1913........	29,879,275	77.1
1914........	16,281,639	86.4
1915........	27,792,935	75.8
1916........	53,910,836	68.3
1917........	77,446,241	60.24
1918........	83,438,135	69.75

Hidden Assets

The company's earnings have been extremely variable in the past, and up to 1916 the directors considered it the part of prudence not to pay dividends on the common except for a 1% payment in 1913. During the war years a great margin was left between earnings and payments.



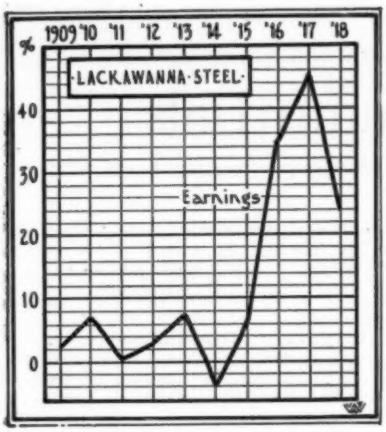
Even before the item of net earnings was reached, however, the company has pursued a policy of chipping off appropriations from time to time. For instance, there is an item in the income account known as "rentals, royalties and depreciation," carried at an average of about $1,600,000 from 1909 to 1915, inclusive. In 1915 this account was raised to $2,124,113, and in the following year it made an extraordinary leap to $12,250,205. In 1918 it was even further increased, to $13,973,391. Figuring the account for 1916 as representing a normal allowance for this account, we find about $25,000,000, or about $71 a share, hidden away in the equities behind the common stock, to be added to the four years' surplus of $84.92 figured on net earnings.

The company also took advantage of its war-time prosperity to reduce the interest charges on its funded debt from $2,065,650 in 1914, at which figure the fixed charges had been standing for years, to $1,097,159, cutting them practically in half, and increasing the participation of the stock in the future earnings of the company. An issue of $6,000 of preferred stock, created in 1913 by the conversion of five-year debenture 5% bonds since retired, was wiped out in 1915.

Balance-Sheet Indications

A striking evidence of conservatism in the conduct of the company's affairs was the marking down of the property and plant account from $72,673,365 in 1917 to $61,849,028 in 1918, a deflation amounting to almost $11,000,000. At the same time the account for "investment in ore companies" was reduced from $6,220,268, near which figure it had been stationary for years, to $4,778,761. To a large extent this represents the sale of the Lebanon properties of the company to the Bethlehem Steel Corporation in 1917.

The working capital position of the company has been greatly strengthened in consequence of the plowing in of earnings. Net current assets in 1915 were $15,299,458; in 1918, they were $24,596,942, or more than $70 a share. Cash on hand was nearly doubled, standing in 1918 at $5,458,029, or about $17.50 a share, almost enough in itself for dividends at the present rate for three years. A large part of this surplus was sunk in securities, the item of "marketable and treasury securities" having been raised by $4,370,000 in the four years, while Liberty bonds to the amount of $4,914,716 are credited to the company in its 1918 report. The inventory account is fairly large, standing at $18,527,144, or nearly two-fifths of the current assets, but is not excessive at all. In pre-war years this account usually figured up to about $9,000,000, and since that time not only has Lackawanna greatly increased its volume of business, as the accompanying statistics of gross



business done show, but the prices of materials have advanced so greatly that $18,000,000 worth of supplies may not mean much more than $9,000,000 in 1915.

The profit and loss surplus of the company, according to its latest available report, stood at $33,771,280, compared with $8,082,272 in 1915. This increase of about $25,700,000 is represented on the balance-sheet by an increase of some $11,000,000 in cash, marketable securities and Liberty bonds, while the property account shows an actual decrease. More than half of the paper "surplus" has gone into the property, therefore, under the form of depreciation accounts or in other ways, and has helped to build up the manufacturing end of the business.

These "hidden assets," in a time of depression, make the difference between safety and ruin for an industrial company, and in this respect Lackawanna is to be considered extremely well fortified.

Financial Structure

The company's funded debt, for the most part, consists of two issues, the first mortgage 5s, due 1923, and the first consolidated mortgage convertible 5s, maturing in 1950. Of the former issue the company has $11,530,000 outstanding. Their lien is a first mortgage on the entire plant and property at Lackawanna, N. Y., and a first collateral lien on the stocks of associated companies, which amply protect the principal. The other issue amounts to $6,902,000, and is convertible into the common at par until February 28, 1922. In 1916, 1917 and again in 1919, the stock did rise over par, making the conversion privilege valuable, but as the highest point reached was 107¾, it is not likely that this privilege was exercised to any great extent. A sinking fund provision calls for the application of 10 cents for each ton of coal mined, and in no year less than $100,000, for the redemption of this issue at $105 and interest, which, of course, is well above the market price of the bonds. A $930,000 issue of car trust 5s, and two series of bonds of the Ellsworth Coal Co., a subsidiary, bring the total funded debt to $22,912,000.

The common stock, which is the only issue now that the preferred has been retired, is outstanding to the amount of $35,097,000, or more than one and a half times the bonded debt. It is now on a 6% dividend basis, and has been ever since the end of 1918. This stock represents bona fide value, as according to the 1918 balance-sheet, after deducting deferred charges, stock of subsidiary companies, and depreciation and extinguishment reserves, the net assets applicable to the stock were $196 a share. This is not unusually high for a steel company, but the point in this case is that the "hidden assets" constitute the real strength of the corporation.

At its present price of 85, Lackawanna yields a trifle over 7%, more than any other of the stocks of the big steel companies. The reason why it is selling so low is in all probability because of the poor showing it made last year. With orders coming in at the rate they have been since December, and with a rail-producing capacity of 500,000 tons for the present, much more than half of which was unused throughout 1919, but which has possibilities of great profits should railroad buying begin on a large scale, it seems that the future has not been discounted to any great extent in the price of this stock, certainly less than in the case of the other steel stocks.

The 5s of 1923, at 93½, are a good investment buy, of high safety and yielding 6¼%. The convertible 5s of 1950, at 95, yield 5.45%, the difference representing the advantage of a long-term bond and to some extent the value of the two-year call on the stock at 100. For an investor who wants a well-secured bond, and does not mind a temporarily low yield on the chance of good market profits should Lackawanna stock go well above par, these bonds offer a good specvestment.

Railway Steel Spring Wipes Out Funded Debt

(*Continued from Page* 455.)

a most important feature, and in this respect Railway Steel Springs stands well on any basis of comparison. The business of the past few years has demonstrated with Railway Steel Springs, as with other corporations, that an increase in the volume of busines tends to decrease the proportion of operating expenses and to increase the profit margin. The table will show the margin of profit secured by Railway Steel Springs over a period of years. In 1918 the company was saving for net 32 cents on a dollar of sales.

At the end of 1918 the company had a $2,000,000 reserve for contingency, and property account at that time stood at $28,000,000, a decrease of $5,000,000 as compared with five years previously. The plant account at the end of 1918 compared with a total share capitalization of $27,000,000, which is equally divided between preferred and common stock.

Conclusions

The preferred stock has an excellent dividend record, as payments have regularly been made since the organization of the company in 1902. It is now in a stronger position than before the war, because it is the senior security; there is no funded debt ahead of it. Even in lean years, earnings, except in 1914, have been more than sufficient to cover the dividends on the preferred stock. These shares are desirable as an industrial preferred stock investment. At current prices they may be purchased to yield approximately 6 2/3%, which brings a higher return than is obtainable on many of the seasoned industrial preferred issues.

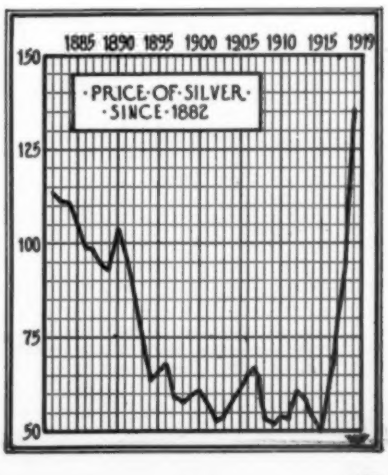
At this writing the common stock is selling eleven and twelve points below the highest price recorded, which was 107½ made in November, 1919. Last year was the first in which the common shares crossed par and, in fact, previous to 1919 the high was 78½, as the table will show.

Previous to the war the dividend record of the company was spasmodic; payments were irregular, and in no year was more than 4% paid. In 1908 to 1913 nothing was paid, and again in 1914 and 1915 there were no payments. The 5% rate was inaugurated in 1916, which was followed by an increase to 8% in November, 1918, and this is the rate which the common stock now pays. On an 8% basis it may be roughly figured that the company will have to double the average pre-war earnings to safeguard this distribution. That is not out of the question, but it will be seen that much depends upon the ability of the railroads to come back into the market for equipment and various appliances. If they do, then all will be well with the equipment companies, and incidentally that "if" is one of the largest facing the business of the country. There is little doubt of Railway Steel Springs' ability to realize satisfactory profits, given an adequate volume of business.

Pending this development definite judgment must be held in abeyance.

It might not be well to reach for the stock, but it is an issue deserving of careful consideration of speculative funds. The shares are not ordinarily over active, and follow rather than lead in upward moves in the equipment stocks.

SILVER'S PLACE IN THE SUN



Investors' Indicator of Industrials

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." We gladly answer all inquiries of yearly subscribers.

Companies Reporting for 1919—

	Dollars Earned per Share 1915	1916	1917	1918	1919	Present Dividend Rate	Recent Price	Yield on Price %	
Amer. Agricul. Chem.	$10.97	$20.57	$21.11	$35.01	$10.34	$8	$95	8.4	Should benefit as result of demand for fertilizers.
Amer. Beet Sugar	9.50	14.30	30.55	10.58	3.86	8	92	8.7	To operate several new plants.
Amer. Car & Fdry.	.76	2.38	27.37	30.64	32.34	12	138	8.7	To place part of export orders with Canadian Car & Fdry.
Amer. Cotton Oil	7.05	7.00	4.56	5.19	6.09	4	52	7.7	Business still at high tide.
Amer. Hide & Leather, pfd.	7.38	12.64	13.56	18.35	20.73	7f	117	6.0	Earnings for last quarter 1919 in neighborhood of $3.75.
Amer. Linseed	....	1.82	5.82	5.77	16.00	3	84	3.6	Business better than ever.
Amer. Locomotive	—13.10	36.06	21.80	16.64	41.05	6	99	6.1	Outlook for future bright.
Burns Bros.	12.11	10.03	21.27	18.35	13.70	10j	107	9.3	Heavy winter buying.
Crucible Steel	5.39	45.80	42.12	48.25	31.29	12p	224	5.3	Stock distributions a big factor.
Cuba Cane Sugar	....	17.36	7.63	1.25	4.84	..	51	..	Enormous production reported for 1919.
Inter. Agric., pfd.	—7.47	9.80	9.31	14.89	16.36	5r	80	6.3	Will sell potash properties in Germany.
Inter. Nickel	3.33	6.83	7.78	5.79	3.22	..	25	..	Plan to use nickel as silver substitute.
Maxwell	5.53	29.10	29.62	4.67	....	..	31	..	Merger plan not operative until Jan. 31, 1920.
Pullman Co.	8.79	10.32	11.36	5.44	10.61	8	116	6.9	Contract with Packard Co. for auto bodies.
Va. Carolina Chem.	7.55	10.39	10.92	24.24	18.09	4n	72	5.6	Large demand for fertilizers cannot be met.
Westinghouse Electric	2.37	10.22	12.56	10.68	20.87	4	54	7.4	Foreign credit adjustment will help.

1919 Earnings Not Reported—

	Dollars Earned per Share 1914	1915	1916	1917	1918	Present Dividend Rate	Recent Price	Yield on Price %	
Allis-Chalmers	....	0.49	8.59	11.37	11.62	..	$50	..	Earnings and business good.
Amer. Can	3.61	5.19	12.31	21.84	7.55	..	55	..	Possible dividends on common not expected before March.
Amer. Smelt. & Refg.	6.51	16.80	31.73	24.14	7.29	$4	69	5.8	Company exporting silver to China.
Amer. Steel Fdries.	....	—1.20	19.89	30.19	13.69	3	45	6.7	Plants operating at capacity.
Amer. Sugar Refg.	2.90	4.99	18.46	20.09	16.45	7**	136	5.2	Profits running high.
Amer. Tobacco	21.04	20.05	22.73	25.25	35.45	20	260	7.6	Will procure cigarette paper from France.
Amer. Woolen	—0.06	6.40	15.32	40.42	21.36	7s	158	4.4	Recently received $25,000,000 order.
Amer. Zinc	1.53	54.92	139.52	11.08	—0.26	..	20	..	Production not quite normal.
Anaconda Copper	1.89	7.16	24.85	17.04	11.59	4	62	6.5	Will enter fertilizer field.
Baldwin Locomotive	—5.25	7.14	22.91	40.22	51.81	..t	117	..	Output increasing.
Barrett Co.	10.31	21.19	32.84	20.54	18.77	8	129	6.2	Ready for huge "reconstruction" trade.
Bethlehem Steel, "B"	32.60	112.50	286.30	43.20	17.98	5f	98	5.1	Reported to have earned in the neighborhood of $30 for 1919.
Butte & Superior	5.81	33.37	31.79	0.94	2.17	..	27	..	Copper situation improving.
Cal. Petroleum, pfd.	11.54	7.80	8.44	12.44	16.43	7h	72	9.7	Should benefit by oil land leasing bill.
Central Leather	6.41	10.82	33.14	30.42	10.44	5f	92	5.4	Rumors that company earned $30 per share in 1919.
Chino Copper	3.44	7.67	14.40	11.27	4.66	3	38	7.9	Dividends maintained though earnings decrease.
Colo. Fuel & Iron	....	....	5.97	11.15	7.51	3	41	7.3	Outlook improving.
Continental Can	10.49	12.05	22.38	32.63	13.86	7	89	7.9	Financial position constantly improving.
Corn Products Refg.	7.73	10.62	20.39	38.05	29.01	4e	86	4.7	Earnings are improving.
General Electric	11.12	11.57	18.31	26.50	14.77	8x	169	4.7	Unparalleled prosperity predicted.
Goodrich, B. F.	5.62	17.17	12.76	14.50	25.67	6y	79	7.6	Plans to retire 2nd preferred stock.
Great Northern Ore.	0.54	0.70	1.39	—1.50	3.02	..‡	39	..	Should benefit by increased iron demand.
Greene Cananea Copper	1.97	1.04	7.05	5.05	6.87	..	36	..	December output slightly less than November and October.
Gulf States Steel	....	10.17	30.25	34.83	9.96	..	79	..	To enlarge wire mills.
Inter. Harvester	....	....	....	25.24	28.14	6	130	4.6	South Chicago plan closed by arrangement.
Kelly-Springfield	5.18	7.16	9.19	12.03	20.78	7z	136	5.2	Likely to pay stock dividends every quarter.
Mexican Petroleum	4.78	4.93	15.79	10.23	14.13	10	199	5.0	Mexican situation improving.
Miami Copper	1.65	4.56	10.39	6.63	7.04	2	24	8.3	Working at 80% capacity.
Midvale Steel	....	1.44	21.46	35.58	29.21	4	50	8.0	All plants running smoothly.
National Biscuit	11.75	9.52	8.10	9.87	11.63	7	118	5.9	Earned $12.36 in 1919 on common.
Natl. Enam. & Stamp.	—0.32	2.02	11.67	23.39	13.94	6	82	7.3	Common dividend very conservative.
Natl. Lead	3.73	4.86	6.16	15.45	14.46	5	84	6.0	Viewed as a possible melon cutter.
Nevada Cons. Copper	0.74	2.78	7.51	4.83	1.70	1.50	16	9.4	Should benefit by improving copper situation.
N. Y. Air Brake	6.41	13.43	82.15	18.94	20.53	10	108	9.3	Will manufacture automobiles in near future.
Pan-Amer. Petroleum	....	....	....	5.80	5.58	6	94	6.4	Recently exchanged stock with Mexican Petroleum Co.
Pressed Steel Car	0.14	3.60	15.00	10.04	24.61	8	99	8.1	Swamped with orders.
Railway Steel Spring	—0.42	3.09	20.49	32.32	18.38	8	99	8.1	Large European orders.
Ray Cons. Copper	1.65	3.08	7.65	6.60	3.05	2	22	9.1	Production increasing.
Republic Iron & Steel	0.56	6.50	47.67	51.88	22.22	6	115	5.2	Operating at capacity.
Sears Roebuck	21.30	17.57	26.55	19.29	17.63	8	225	3.1	Doing huge business.
Sloss Sheffield	0.21	0.53	14.44	15.73	15.03	6	79	7.6	Is not affected by rise in cost of pig iron.
Studebaker Corp.	12.79	27.46	26.14	9.11	10.39	7	105	6.7	1919 best year in history.
Tobacco Products	1.03	2.31	5.44	9.32	17.00	6k	91	6.6	Capital increased recently.
United Fruit	6.19	16.12	27.97	26.72	28.01	10††	198	5.2	Passenger traffic exceptionally heavy.
U. S. Cast Iron Pipe, pfd.	0.60	2.55	10.91	11.18	9.24	2.50	54	4.6	Earnings in 1919 less than 1918.
*U. S. Food Products	2.28	4.64	10.34	14.83	31.13	2k	68	2.9	Has good prospects.
U. S. Industrial Alcohol	1.94	12.60	36.14	54.67	51.67	8	108	7.4	Not hit hard by prohibition.
U. S. Rubber	9.18	10.80	17.75	28.83	30.86	8‡‡	126	6.3	Doing record business.
U. S. Smelt. & Refg.	1.61	13.93	20.49	5.14	8.75	6	72	8.3	Acquired new property in Mexico.
U. S. Steel	....	9.96	48.46	39.15	22.10	5e	106	4.7	Plants running near capacity.
Utah Copper	5.34	11.03	24.46	18.46	11.66	6	76	7.9	Sales tied up through foreign exchange situation.
Willys-Overland	3.56	11.37	5.74	4.85	5.33	1	29	3.5	Now turning out 400 cars a day.
Woolworth, F. W.	10.86	13.19	15.57	16.72	12.43	8	125	6.4	Record business.

**3% quarterly, Jan. 1, 1919, to date. ‡No regular dividend; made two distributions of $1 each and two of $2 each in 1919. b0% extra in 1918. e½% extra in 1920. f2% extra in 1919. j10% extra in 1919. k1½% extra in 1919. n1% extra in 1919. pPaid $4½ in 1919. rOfficial annual rate, 7%; 40% back dividends in arrears, as of Oct. 31, 1919. s15% paid in Liberty bonds in 1919. tNo dividends in 1919; 3½% paid Jan. 1, 1920. x4% extra paid in stock in 1919. yRecently increased from 4%. z$4 paid in cash; $3 in stock annually. ††½% extra in 1919. ‡‡$12½ extra payable Feb. 19, 1920, in common stock.

Wright-Martin-International Motor

Stockholders Have Increased Equities and Gained Better Position from Transfer of Assets to International Motor Truck and Wright Aeronautical Corporations

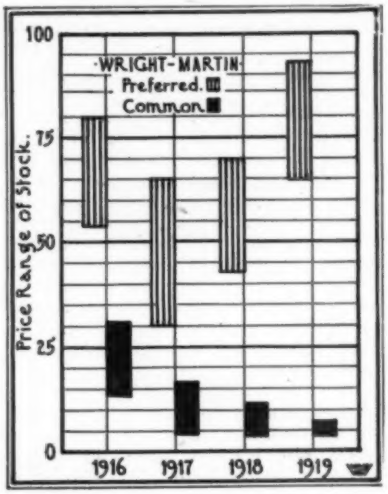
By GEORGE I. DICKSON

DURING the past few weeks steps have been completed through which the Wright-Martin Aircraft Corp. ceased to exist, and its assets, including all plants, business, good will, etc., have been divided between the International Motor Truck Corp. and the Wright Aeronautical Corp.

There can be no question but that the interests of the old Wright-Martin stockholders have been materially benefited by the exchange, as they received stock in the other companies for their assets and business. Their new holdings are better secured, as a whole, than the old stock that they gave up.

The ending of the war left the company with enormous orders for the Government on its books, which had been of doubtful permanent benefit to the corporation. Small profit had been made on them, but the regular business of the company had been interfered with to such an extent that factory reorganization and the raising of new working capital would have been necessary if the change to the recently completed plan had not been adopted.

The plan of merger and exchange called for the turning over of the entire New Brunswick, N. J., plant and business to the International Motor Truck Corp., also contain other assets. The aeronautical business, and certain plants and assets at Long Island City, N Y., Dayton, Ohio, and Los Angeles, Cal., were turned over to the newly formed Aeronautical



Corp. This was confirmed by vote of the stockholders on October 27, 1919. The aeronautical business was immediately turned over to the new corporation, but the transfer of assets to the International Corp. did not take place until December and was in process until the end of the year, when it was completed.

How Securities Were Exchanged

The plan of exchange of securities was as follows: For each share of Wright-Martin preferred, 120% par value International first preferred was given; that is, for each five shares Wright-Martin preferred, six shares of International first preferred were given. The Wright-Martin preferred acquired no interest in the Aeronautical Corp.

For each 100 shares of Wright-Martin common, there were given two and eight-tenths shares International second preferred, two shares International common and 25 shares of Aeronautical Corp. Holders of smaller lots than 100 shares Wright-Martin common received proportional amounts.

At the time of the exchange of stock, Wright-Martin had a total of $5,000,000 preferred. This was entitled to cumulative dividends at a rate of 7% per annum from November 1, 1916, but no dividends were ever paid. In the exchange of stock, however, provision was made for accumulated dividends on Wright-Martin preferred. The preferred had been convertible for the common on a basis of two shares common for one share preferred, but it is understood that little, if any, had ever been exchanged.

The Wright-Martin common capitalization had been 1,000,000 shares authorized, of which 897,558 were outstanding, of no par value. No dividends were ever paid on it.

International's New Capital

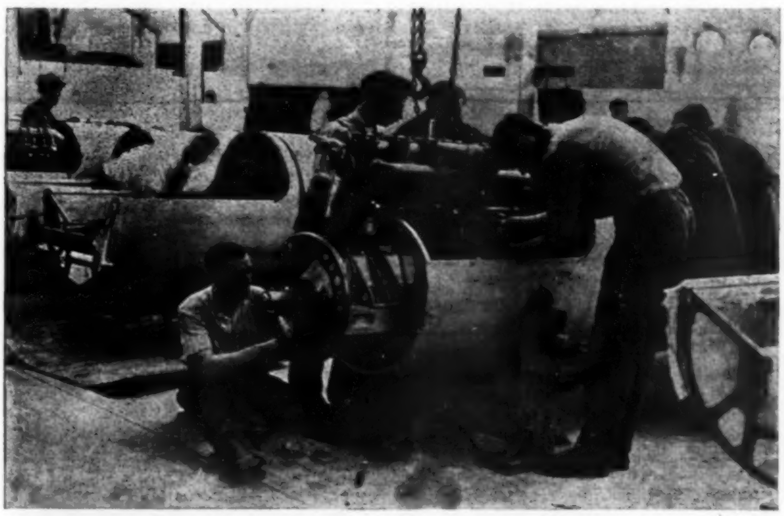
Prior to this merger, the International Motor Truck Corp. had the following outstanding capitalization: $4,243,771 first preferred, $2,656,450 second preferred, and 53,638 shares common stock.

To this will be added $6,000,000 first preferred, a little more than $2,500,000 second preferred and a little under 18,000 shares of common, given in exchange for the Wright-Martin stocks.

There will also be further addition to the outstanding stock, for the back dividends on the preferred are to be funded through preferred stock payments. The first preferred stock was entitled to cumulative dividends at a rate of 7% per annum from November 1, 1916, payment of which has been made in new first preferred stock, amounting to about $1,000,000. The second preferred 7% dividend rate accumulated since November 1, 1918, and was paid off in a stock dividend of second preferred stock, amounting to about $200,000.

The total outstanding first preferred now is about $11,000,000; second preferred, about $5,000,000, and 71,500 shares of the common.

The International Motor Truck Corporation was the successor of a company organized in 1911 when the Saurer, Hewitt and Mack Bros. plants were combined. In 1916 this was reorganized under the present title, with a very sharp scaling down of capital, and much-needed working capital was secured through the sale of $1,500,000 first preferred stock.



AIRPLANE FACTORY SCENE

The Wright-Martin Company acquired the American rights for the Hispano-Suiza motor and received huge orders for engines of this type during the war. Further government business has been booked within the last few months

The company owns factories at Allentown, Pa., Plainfield, N. J., and New York City.

The New International Corp.

Although it will not change its name or structure, there will really be a new International Motor Truck Corp., with its acquisition of the Wright-Martin plant and business at New Brunswick, N. J. The Simplex automobile was formerly manufactured there, and it may be added to the company's output again. The Simplex was considered one of the best cars in the world, but it was also one of the most expensive, and for the present it will not be manufactured owing to the unsettled condition of the market for high-priced automobiles. The Simplex business that exists at present consists of a service station which will be operated by the Aeronautical Corporation.

With the New Brunswick plant there were also transferred cash and other assets worth above $6,000,000, which with other items gives International Motor a working capital to start with of $13,500,000. Through it, there will be immediate extensions in the business of manufacturing Saurer, Hewitt and Mack trucks. The last-named is the best known and most popular of the three, although Hewitt trucks are in good demand. The Saurer engine is one of the leading ones in European motor truck manufactures, the company owning the American rights in it. It will be the Mack truck which will be most extensively developed by the company with its new working capital, with plans now under way for increasing the output of Mack trucks from the present figures of about 4,000 a year to 12,000 a year in the near future.

The International Corp. earned a total of close to $2,500,000 net available for dividends in 1917 and 1918, which was more than enough to have paid the preferred dividends and provide a balance of more than $750,000 a year for the common. For the first five months of 1919, the company's net earnings were $1,395,000, or at the annual rate of $3,350,000. It is understood that the actual net for 1919 will be even better than that figure.

Therefore, without allowing for the increase in business, it can be seen that the old truck manufacture and sale income of International Motor Truck, at the 1919 rate, should provide net earnings sufficient for dividends on both classes of preferred stock and leave a balance available for the common of above $2,200,000 a year. The annual dividend requirements on the first and second preferred are about $1,155,000 on the new capitalization.

If the earnings run at no better rate, dividends on the first and second preferred seem assured, as the 1919 net income rate is three times the amount needed for dividends. In addition, it seems probable that the increased plant facilities and the $6,000,000 working capital acquired from Wright-Martin ought to add several million dollars a year to the earnings possibilities.

WRIGHT-MARTIN AIRCRAFT CORP.

Income Account, 13 Months Ending June 30, 1918

Income from operations and royalties	$2,216,575
Depreciation	$366,669
Royalties applied to amortizing of patents	329,650
Write-off on Hispano-Suiza motor development cost	479,577
Reserved for taxes	500,000
Net income	$540,679

Balance Sheet

Assets	As of June 30, 1918	As of May 31, 1917
Property and plants	$3,408,504	$2,332,933
Cash	2,102,682	2,573,959
Accounts and notes receivable	584,605	262,112
Due from U. S. Government	4,388,039	....
Inventories	384,927	1,819,887
Investments	50,884	16,000
Deferred charges	72,114	178,281
Patents	675,338	1,004,271
Hispano-Suiza motor development cost	689,704	1,110,730
Totals	$12,356,797	$9,298,173
Liabilities		
Common stock equity (897,558 shares, no par)	$4,542,855	$4,014,566
Preferred stock	5,000,000	5,000,000
Simplex Co. shares outstanding	....	1,800
Reserved for taxes, etc.	500,000	13,575
Accounts payable	1,644,736	242,017
Accrued wages, etc.	669,206	26,215
Totals	$12,356,797	$9,298,173

The Aeronautical Possibilities

Despite the lethargic mental condition of the governing powers of the country regarding aeronautics, with the army air service practically out of any leading place, in ranking with Europe, there are reasons to believe that interest in military aviation will be revived. It is believed probable that Congress will adopt a plan for a separate arm of material activity, which will consolidate the existing marine, navy and army air services. This will be under a separate cabinet office, if the proposal goes through. If it does, it will mean a renewed period of development of flying and flying apparatus and engines.

The Aeronautical Corp. will continue to manufacture airplanes, parts and motors for private individuals and corporations and for foreign governments, and without any material assistance from U. S. Government orders, ought to be able to make a fair amount of profit out of the business. If the program of the United States calls for a material addition to its airplane supply each year, the Aeronautical Corp. will undoubtedly find therein a further source of earnings.

During the days before the United States entered the war, the Wright-Martin Aircraft plants manufactured a large number of Hispano-Suiza airplane motors for Europe, principally for France. The American rights to this motor were acquired by the company, and when the United States entered the war the Wright-Martin Corp. received orders aggregating from $60,000,000 to $75,000,000 for Hispano-Suiza engines, mostly for use in army airplanes.

The Aeronautical Corporation in addition to the patent rights and other intangible assets, took over about $4,000,000 cash and cash assets from the Wright-Martin Corp.

Shareholders Benefited

The conclusion that a careful study of the old Wright-Martin and International Motor Truck affairs brings is that both companies will materially benefit from the change. The Wright-Martin shareholders now have securities that are in a good position to pay regular dividends at once, if earned. Probably the preferred dividends, on both classes, will be paid regularly in cash this year by International Motor Truck, and if there is the expected increase in earnings, it is probable that an initial dividend will be paid on the common within a year or so.

International Motor Truck shareholders have had the intrinsic value of their stock greatly enhanced by the acquisition of a modern and thoroughly equipped plant and by the provision of large working capital through which it will now be possible to take advantage of any material expansion in business which may develop. Under present operating conditions, many automobile manufacturers, as well as those in other lines of business, have been unable to keep pace with orders owing to the greatly increased working capital that was needed but not available.

As for the Aeronautical Corporation stock, it is more speculative than the shares of the International Motor Truck Corp., but, on the other hand, there may well be brilliant possibilities for it if some of the expected aerial developments materialize.

INTERNATIONAL MOTOR TRUCK CORP.

	1918	1917
Net earnings, year ending Dec. 31	$1,245,771	$1,127,093
Balance Sheet	(As of Dec. 31, 1918)	1917
Property account	$1,525,725	$1,731,476
Patents, good will, etc.	2,164,436	2,164,436
Liberty bonds	780,850	....
Cash	2,121,016	2,227,853
Accounts and notes receivable	1,292,133	1,664,195
Investments	8,188	12,188
Inventories	7,388,546	4,791,995
Deferred charges	65,341	112,229
Totals	$15,346,235	$12,704,372
Liabilities		
First preferred stock	$4,243,771	$4,243,771
Second pref'd stock	2,656,450	2,656,450
Common stock	*268,190	*268,190
Notes payable	1,500,000	1,500,000
Funded debt	25,500	34,500
Unacquired securities	65,338	66,550
Accounts payable	945,133	926,609
Accrued liabilities	272,646	589,156
Customers' deposits	1,123,402	423,006
Reserves	1,706,146	803,565
Surplus	2,539,659	1,192,575
Totals	$15,346,235	$12,704,372

*Representing $5 a share value on 53,638 shares of no par value.

The wrong way always seems the more reasonable.—George Moore.

Canadian Pacific Maintains Prosperity

European Liquidation Depresses Stock—Good Outlook Promises Continuation of Dividends and Investment Possibilities Are Bright

HEAVY foreign liquidation of Canadian Pacific shares which are traded in quite actively on the exchanges of Montreal, Toronto, London, Amsterdam and Berlin, and doubts as to the final results of the Canadian railway policy may be looked upon as the principle causes of the recent market decline of this "gilt-edged" security. In many quarters it has even been feared that the stability of the 10 per cent dividend payable on the company's common stock of $260,000,000 of $100 par was in danger.

Recent developments in the Dominion of Canada are by no means responsible for the low level of the stock. Although the government has made many far-reaching plans concerning railway undertakings and now has even a railroad of its own across the country, this is not to be regarded as an unfavorable factor as applied to Canadian Pacific. This fact is clearly evidenced by the recent heavy buying by Canadian interests notwithstanding the high premium of 8 per cent which they had to pay for stock bought in New York.

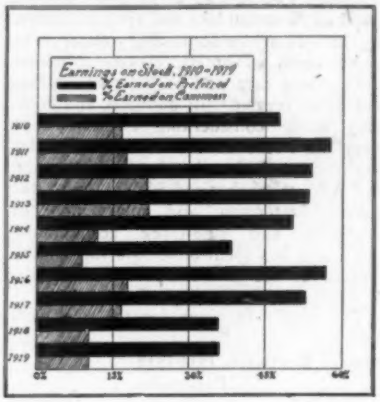
Government Competition Not Feared

Despite the numerous unfair advantages the government line already had over private railroad enterprises, it was found necessary recently to give the former such privileges and rights in railway construction as were not enjoyed by private companies, and to exempt it from complying with the existing railroad laws. Furthermore, the government is about to grant its own line such low rates as would not be remunerative to private organizations. However, the policy of making one law for the national railway and one for private roads cannot be expected to be continued or expanded. A policy which would confer exclusive rights on the national railways would undoubtedly tend to destroy all confidence in Canadian railway enterprises, thereby making competitive conditions unequal, even impossible. The Canadian Pacific company is sure to stand this strain according to President Beatty, who was elected recently after the retirement of Lord Shaughnessy. Says Mr. Beatty: "I have no fear whatever of government ownership and operation and government competition as well, but apparently the government has some fears of private competition under equal conditions."

Table I—Canadian Pacific Operating Revenue, 1910-1919†

	Gross	Net	Net per share
1910	$94,989,490	$33,839,956	$16.92
1911	104,167,808	36,699,830	18.35
1912	123,319,541	43,298,243	21.65
1913	139,395,700	46,245,874	23.12
1914	129,814,824	42,425,928	16.32
1915	98,865,210	33,574,627	12.91
1916	129,481,886	49,225,920	18.95
1917	152,389,335	46,545,018	17.90
1918	157,537,698	34,502,388	13.30
1919	176,753,467	31,250,860*	12.02

†During 1910-1916, year ended June 30.
***Represents first 11 months of year.**



Notwithstanding the trying years of the Great War, Canadian Pacific was able to hold its own, as it were, under private management and operation. It was not, as were the railroads of the United States, compelled to go into debt to the government, or to a War Finance Corporation for improvement and equipment which would enable it to handle traffic increased by the war (compare accompanying tables); nor was it forced to borrow a "guaranteed" income upon its notes. In some respects its experiences have been similar to that of American roads: Gross earnings have been the largest in the company's history while net operating revenue has shrunk considerably, due arrears will have to be made up, and chiefly to the pronounced distortion of economic relations by the war. According to President Beatty, net earnings would have been much lower had the company been making expenditures for maintenance which circumstances would have justified but which conditions prevented during that period. But these work has already started on an important scale. During the past year 70,000 tons of steel rail and 4,434,000 ties (at 85c. per tie) were laid compared with about 2,000,000 ties at 44c. each in 1914. The sensational advance in wages by the adoption of the McAdoo wage scale in Canada, is well known; further advances may be necessary within the very near future as indicated by discussions in this country. The price of coal for locomotives has advanced to $4.77 from $3.09 in 1913. The cost of hauling an average train, freight or passenger, one mile, has risen to more than $2.50 from $1.60 in 1913. The operating expenses of one mile of line are well above $7 against $4 in 1915, while rates have advanced less than 25 per cent. Accompanying Table I gives the gross and the net operating revenues of the company for the past ten years, and also the net per share of common (before deduction of fixed charges) for the same period. We note from the table an increase in gross for the past year of about 15 per cent over that in the preceding year, and a decrease of more than 12 per cent in net, despite the increase in rates in 1918, which was in no wise commensurate with the rise in operating expenses as discussed above.

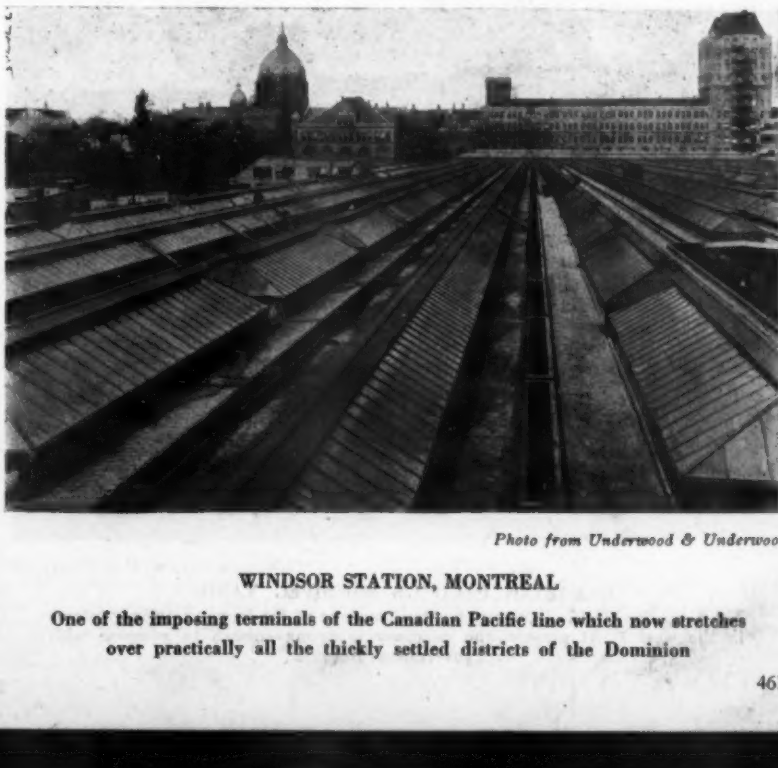
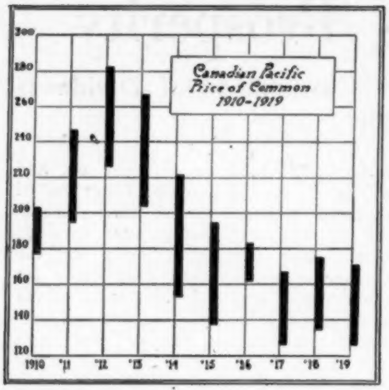


Photo from Underwood & Underwood

WINDSOR STATION, MONTREAL

One of the imposing terminals of the Canadian Pacific line which now stretches over practically all the thickly settled districts of the Dominion



Financial Strength

Although the margin above dividends earned was very small as seen by accompanying graph on Earnings on Stock, there ought to be no cause for alarm as to their safety. The company has paid dividends since 1882 (omitted in 1895), and is secure in its financial strength and holds strategic advantages in location of its main and branch lines with a prospect for large developments. In addition to the 13,772 miles which the company controls through ownership or leases, it also controls about 141 miles of the Spokane International, 626 miles of the Duluth, South Shore & Atlantic, 4,228 miles of the Minneapolis, St. Paul & S. S. Marie, and through the latter the Wisconsin Central. Canadian Pacific also owns and operates a fleet of 90 ocean, lake and river steamers, of which 61 are in ocean and coastal service, a chain of hotels, elevators, parlor and sleeping cars, and has its own express and news service. In addition, the company made considerable extensions to meet the needs of the West, has under construction 238 miles in Saskatchewan and Alberta, authorized $4,482,000 for the upkeep, betterment and enlargement of terminals and side-track accommodations, and has spent $2,000,000 for the extension of the Chateau Frontenac Hotel at Quebec.

The road's earnings for the past year were, in spite of an appreciable shrinkage, considerably in excess of all the other Canadian roads whose combined mileage is nearly twice that of Canadian Pacific. The freight traffic showed satisfactory returns (see accompanying chart and Table II), and promise to improve with

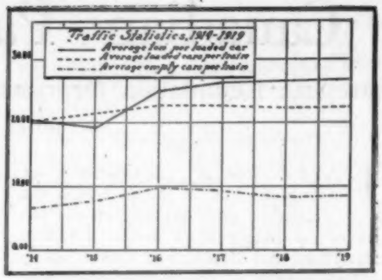
Table II—Canadian Pacific Passenger Revenues, 1914-1918

	Freight in tons	Density*	Passengers carried	Density†
1914	27,801,217	896,470	15,638,312	132,825
1915	21,490,596	625,338	13,202,603	93,413
1916	30,168,798	1,133,343	15,577,652	104,866
1917	31,198,685	1,129,908	15,576,721	113,932
1918	29,856,694	991,680	14,502,546	95,641

***Denotes tonnage carried one mile, per mile of road operated.**
†Denotes number carried one mile per mile of road operated.

Table III—Details of Working Capital, 1914-1918

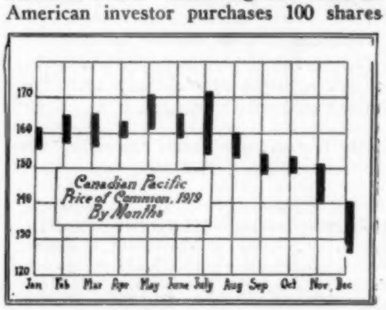
	Current assets	Current liabilities	Working capital	Left for share of common
1914	$68,730,973	$22,982,406	$45,748,567	$16.43
1915	44,933,661	13,382,924	31,550,737	10.92
1916	82,379,244	18,533,111	63,846,133	23.94
1917	63,229,149	19,803,157	43,425,992	15.46
1918	76,342,949	26,108,192	50,234,957	18.08



the growing tourist and general passenger traffic, as is evidenced by the company's overcrowded hotels in the mountains and the western cities. The current assets also showed a considerable increase over those of the preceding year, leaving after deduction of current liability and the required charges, a working capital of over $18 per share of common stock against $15.46 in 1917. (See Table III.)

Prices in Berlin

As was pointed out in the last issue of THE MAGAZINE OF WALL STREET, huge profits can be realized (sic) through the purchase of Canadian Pacific shares on the Berlin Exchange, where about $25,000,000 of the stock is traded in. According to the latest issue of the Berlin *Boersen Courier*, the stock is quoted at about 1,300 marks a share. Assuming now that an American investor purchases 100 shares



at Berlin, he will pay approximately $1,800 at the present low rate of exchange, which means a profit of over $10,000. The shares are in the names of German banks and bear a German stamp; dividends for the period of the war are still outstanding which, if paid, would equal the present purchase of the securities. Although some American investors have made purchases abroad others seem to have difficulty in having their orders executed, chiefly because of the fluctuation of German exchange.

In view of the extraordinary and uninterrupted prosperity which the road has enjoyed since its incorporation on February 17, 1881, under the laws of the Dominion of Canada, the continual expansion in gross and the upward trend of earnings, Canadian Pacific bids fair to remain among the foremost transportation companies in the world, and there is every reason to believe that the stock will enjoy a considerable advance in the near future.

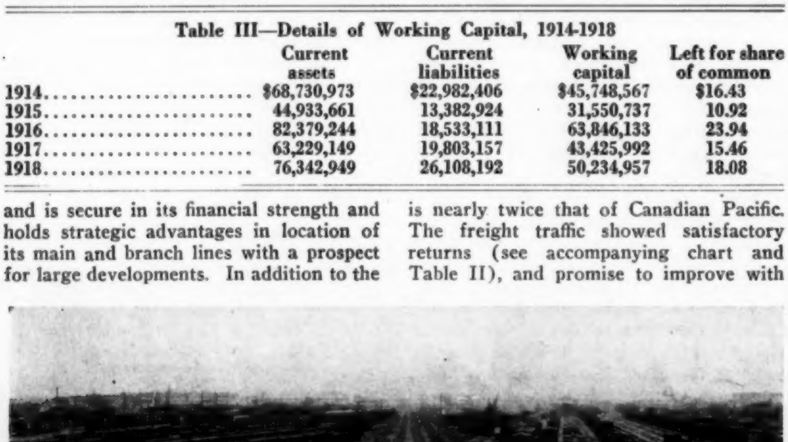


Photo from Underwood & Underwood

CANADIAN PACIFIC'S WINNIPEG YARDS

The Canadian Pacific Company has built up one of the largest railroad systems in the world. At present, the company is strong enough to compete with government lines

Better build schoolrooms for the boy than cells and scaffolds for the man.—ELIZA COOK.

Every man is the center of a circle, whose fatal circumference he cannot pass.—J. J. INGALLS.

Preferred Stocks With Dividends in Arrears

Which Are Likely to Pay Up Soon?—Effects of War and Post-War Conditions—The Stock Market's Judgment of Probabilities

By **JAMES GARRISON**

WELL-CHOSEN preferred stocks with back dividends, which are being paid off, are among the best opportunities for a fair profit in a short time that the Street offers. Two conditions are indispensable, however—that the payment of arrears be not drawn out too long, and that the market should not have discounted the payments of arrears too far in advance by raising the price of the stock.

At the present time there are probably fewer good stocks with prospects of extra payments on the preferred because of accumulated dividends than there have been for some time, because war and post-war prosperity has permitted a number of corporations to clear up the difficulties of their preferred stocks in two years when normally it would have taken a long period of steady continuous growth to put the company into such a position as would warrant the paying up of their arrears.

In some cases this process has been hastened by the desire of directors to be able to make disbursements on the common, which are impossible, of course, so long as back dividends remain unpaid on the preferred. Sometimes a whole batch of arrears has been got rid of in a short time so as to permit of the initiation of dividends on the junior stock.

Back dividends are possible, of course, only on cumulative preferred stocks. For this reason there are comparatively few railroad preferred stocks with accumulated dividends, as most preferred rails are non-cumulative.

In the following paragraph we have tried to include all the active stocks on the Big Board that have back dividends, both industrials and rails. Our conclusions can be only suggestive at best, as no one can undertake to predict definitely what the Board of Directors of any corporation will do. One can only state probabilities.

American Hide and Leather

This corporation has been paying dividends on its 7% preferred since 1917. War prosperity helped it considerably, and the rising prices of leather, combined with a heavy inventory account, made good money for the corporation. The operation of the plants is becoming more efficient. For instance, the gross sales of $18,271,118 in 1910 represent probably as much business as the $28,593,698 sales of the fiscal year ending June 30, 1919, but in 1910, 98.40% of the gross receipts went out as operating expenses, while in 1919 only 87.22% was spent.

The main difficulty with the corporation seems to have been its heavy capitalization. It was floated in 1899 in the era of talk about the economies of "big business," and all of its common stock and a good deal of its preferred, represented nothing but hopes. Last year, however, it paid up its outstanding funded debt and now has no bonds at all. Previously interest charges and sinking fund had amounted to about $663,000 annually, or over 5% on the preferred. The removal of the bonds increases considerably, therefore, the prospects for continuation of the 7% rate on the preferred.

As to back dividends, the company is now 111% behind on its preferred stock. Last year the policy was to pay extra cash dividends, in addition to the 1¾% regular quarterly payment, extras being $2 at a time. To remove the huge mountain of accumulated dividends, however, will require more than such piecemeal methods, and the legal staff of the corporation has been hard at work for months on a plan for the funding of the back dividends. Rumors have been afloat of varying natures, but most people concerned seem to think that the payment will be in common stock, or through some similar plan of refinancing.

The present capitalization of the company consists of $13,000,000 of preferred stock and $11,500,000 of common, in shares of $100 par. The earnings have been very poor before 1914, averaging about $0.60 a share of preferred for the five years before the war, but earnings from 1915 to 1919, inclusive, have been considerably better, running at 7.38%, 12.64, 13.56, 18.35, and 20.73. Current earnings are not quite as good as last year's, but the very good business of the third quarter of 1919 will be included in next year's income account, and the 1920 figures may be as good as those for 1919.

Hide & Leather preferred is now selling for about 114, compared with a high for 1919 of 142. As the 7% current dividend appears to be reasonably well secured for some time to come at least, and as any payments of arrears will make the yield a very substantial one, I believe that American Hide & Leather preferred has good possibilities, if one is willing to take the risk involved.

American Writing Paper

This company is another one of the consolidations of the years just before and after 1900, when huge companies of startling capitalization figures were floated in the general enthusiasm for "big business." It was incorporated in 1899 as a consolidation of 31 companies, of which five were disposed of later.

The earnings of the company have shown great variations in the past, as the industry is one of great fluctuations. As an American Writing Paper official has said, it is the last to feel the effects of good times and the first to feel the effects of hard times. Add to this condition a comparatively large funded debt, and the instability of earnings on the stock is explained.

The issue of $11,000,000 bonds maturing last July was taken care of by a refunding issue of $12,000,000, the extra $1,000,000 being used for corporate purposes. This issue is to run at 7% until 1921, after which time it is to pay 6%. It is redeemable at 105, but as the market price of the bonds is about 86, this feature is not of much importance. The bonds are well protected by the terms of issue, but apparently at the expense of the junior issues. For instance, the sinking fund calls for 1% of the outstanding issue, and, in addition, 25% of the earnings after fixed charges, depreciation and reserves, except that this ratio is to be reduced to 15%, after the outstanding amount has been reduced to $10,000,000.

Interest requirements on the old issue amounted to $850,000, and sinking fund called for $100,000 in 1913, 1914 and 1915. In those years earnings before charges were $720,810, $841,750, and $823,045, respectively. In other words, bond requirements were not being fully met before the war. If these bonds had been converted into preferred stock, earnings on the senior stock issue would have been $2.49, $2.90, and $2.84, respectively, instead of the deficits actually shown. Since then, actual earnings have been $20.19, $1.20, and $10.02 on the preferred in 1916, 1917, and 1918, with probably about $10 earned in 1919. Under the new financing, if as much was earned this year, before interest requirements, as last; that is, $2,031,989, the earnings on the preferred would be about $6.43 a share, or not enough to meet preferred dividend requirements.

As a result of the new financing, therefore, it would seem that the strategic position of the preferred stock has become poorer, and the prospects for paying off the 133% of accrued dividends on the preferred further away than before. Dividends have not been paid on the stock since the 1% disbursement of 1913. The surplus of $6,403,146 shown in the 1918 balance-sheet is good for about $51.22 a share on the $12,500,000 of preferred outstanding, and provides the foundation for the rumors that have been afloat concerning possible distributions. At the present price of 55, I see no reason for buying Writing Paper preferred.

Federal Mining and Smelting

Federal Mining preferred is a unique stock in several ways. In the first place, it is the only preferred stock of a strictly mining company listed on the New York Stock Exchange. Income and balance-sheet comparisons are difficult to make for this stock since the year ending Dec. 31, 1916, as in 1917 it was explained that Government requirements as to the statement of an "Ore Depletion Reserve" made it impossible to issue a full Treasurer's report. The following year the statements were made in a form different from that of previous years.

Dividends on the preferred have been maintained, though irregularly, since the organization of the company in 1903. The official 7% rate was kept up till 1912, when 6% was paid, the same rate being

continued the next year. From 1914 dividends have been 5%, 4%, 4½%; in 1917 the 7% rate was restored, and kept up the next year, and in 1919 the amount paid was 3¼%.

Gradually the mines of the Federal properties have been exhausted, the Mace, Wardner and Bunker Hill mines one by one giving out. Practically all of the production at present is coming from the Morning mine, which is said to be showing signs of exhaustion, too, as it was among the earliest accessions of the firm.

Another difficulty of the company has been its contract for the smelting of lead by the American Smelting and Refining Co., which runs till 1930. According to this contract, when the price of lead rises above 4.10 cents a pound, Federal gets 50% of the difference. At the present price of 8.25 cents a pound, Federal gets only 6.18 cents for its lead. This contract has been brought into court by minority stockholders, but its legality has been sustained.

The latest balance-sheet for the company shows a working capital of $141,000 or about $1.17 a share on the $12,000,000 of preferred. The company makes a policy, also unique in its way, of charging its acquisitions and development work to operating expenses, so its requirements in this respects are difficult to make out. It is known, however, that it has found trouble in getting new productive territory, and it is generally regarded as a liquidating proposition.

The preferred stock was well boomed last year, with the rising prices of lead, zinc and silver, all of which metals the company produces, and rose from a low of 33 to a high of about 48 during the height of the bull move. It is now selling at about 30. At this price it probably has some speculative merit for a short turn.

International Agricultural

Early payment of back dividends, amounting to about 40%, is unlikely, according to a statement of the treasurer of the corporation, who declares that the company's policy will be to conserve working capital by holding over dividends some time longer. Interest, therefore, centers on the long-pull possibilities of the stock.

The structure of the company's finances appears to be a bit top-heavy, with $9,881,400 of bonds outstanding, to $13,055,500 of preferred stock and $7,260,600 of common. The bonded debt has been steadily reduced through the operation of a sinking fund of 2½% annually. Bond interest has constituted between 98% and 18% of the total income of the corporation, depending on the wide fluctuations of earnings. Since organization, earnings on the preferred have been 80.70%, of which 30¾% have been paid out. Of this $50 margin, however, $44.12 have been earned in the last four years, so the prosperity of the company cannot be said to have been firmly established as yet.

Much discussion has centered on the relations of the company with the Kaliwerke Sollstedt Gesellschaft, of whose stock it now has 50%, which has been held without sale by the Alien Property Custodian. An agreement with the German firm, which the war has prevented of consummation, provides that International Agricultural is to be obligated to take over at par all of its stock held by the Sollstedt concern. As this stock is now selling at about 19, with a par value of $100, it can be seen that the execution of this contract will not be especially to the advantage of International Agricultural.

The company seems to have come out even on the contract game, however, as it has an agreement with Tennessee Copper and Chemical by which it is to take over the sulphuric acid production of the Tennessee company at prices agreed upon, which are well below prevailing prices. It is estimated that about one-half of the company's income is obtained by the resale of sulphuric acid purchased by virtue of this contract. On the expiration of this agreement, therefore, there will be a big drop in the showing of International Agricultural, with the settlement of its German agreement still pending.

A late balance-sheet shows a very good working capital showing for the company, with about $54.38 per share of preferred, only a small proportion of the current assets being in the form of inventories. The stock is now on a 5% basis, dividends having been resumed last year. This rate can probably be maintained at the current basis of operations, as it is said that both domestic and foreign demands for prosphate rock, the company's chief product, is running high. The long-pull prospects for the stock are rather dubious, however, in view of the untested nature of the company's new prosperity and of the contract obligations mentioned above.

At a late price of 79, the stock is well above its high for the period 1914-1918, inclusive, though it touched 91 in the frenzied speculation of last year. We do not believe it should be bought at present levels, at least until the uncertainty surrounding it has cleared away.

International Mercantile Marine

An official statement has been made in regard to the payment of preferred back dividends, to the effect that liquidation of arrears is to be accomplished by occasional cash distributions, according to the current earnings of the company, rather than by payment in a lump sum. Interest, therefore, centers about the current earnings of the corporation, which are said to be running at a rate from 25 to 50% higher than the average of the unusually prosperous years 1917 and 1918.

Marine has been tempered by adversity, as in the early months of the war it went into a receivership, from which it emerged after a reorganization in 1916. According to this arrangement the bonded debt was practically cut in two, strengthening the position of the preferred and common stocks. Marine is another case of earnings running low before the war, and making a good showing in the last four years. From 1909 to 1913 they averaged $1.74 a share of preferred; 1914 showed a deficit, interest being defaulted on the bonds; from 1915 to 1918, inclusive, earnings on the reorganized capitalization have averaged $27.43 a share, with a better showing expected for the time since 1918 as shipping restrictions were relaxed.

Accumulated dividends on the preferred stock, after the February payment of this year, will amount to 47%, the last few payments having been of 5% and 10%, in addition to the regular 6% payments on the stock. Current earnings should run fairly high, according to the figures of profits on shipping given by the Shipping Board in a recent statement. An improvement in the foreign trade situation by settlement of foreign exchange and credit difficulties, and increased travel following the signing of the Peace Treaty, should help the company considerably. At the present price of 98, Marine preferred is well below the prices prevailing in 1919, and should the market as a whole move upward, Marine would follow because of the large trading interest in it. At present prices it should be a satisfactory purchase, of the "business man's" type of investment.

Loose-Wiles Biscuit

This company started out in 1912 most ambitiously, with capital and equipment, ready to do several times the business that it actually did for its first few years. Competition was bitter between Loose-Wiles, the leading independent, and National Biscuit, the long-established leader of the industry. The common stock represented, at the time of incorporation, little but intangible rights and good-will, and the second preferred stock, which has not paid dividends since 1915, only partially represented actual values. The first preferred stock has been paying 7% since incorporation, and the second preferred payments are believed to have done much to weaken the financial position of the company.

At any rate, the principal defects of the company began to be straightened out after 1915. The building of new equipment, for whose product there was no demand, was stopped; cut-throat competition was ended by the immense war-time and after-war demand for the company's product, and stationary prices, the source of much trouble to the company during a period of advancing costs, were got rid of and a flexible price system installed. The withholding of dividends on the second preferred and the common stock proved to be a good policy, as the working capital of the company was increased from $1,578,296 in 1915 to $5,179,033 in 1918. Floating debt has been reduced from $3,875,000 in 1917 to less than $1,000,000 by the end of 1919, and in 1920 it is believed the company will be able to eliminate this item altogether.

Having once established itself in a sound financial position, the company would then be able to consider the payment of arrears on the preferred, or even the initiation of dividends on the common. Accumulated dividends now amount to some 35%, which, it is estimated, the company could pay out of this year's earnings, which have been unusually good. Plants of the company are said to be operating at capacity, even the huge Long Island City factory, which for a long time was a drag on the resources of the corporation because of its great size and unoccupied machinery. Prospects for dividend payments on this stock are fairly good, at the rate the company's earnings have been running of late, but the market has discounted most of them by its valuation of 115 for the stock, at present a non-dividend payer.

"A woman preaching is like a dog walking on his hind legs. It is not well done; but you are surprised to find that it is done at all."—Samuel Johnson.

International Paper Builds for the Future

Earnings Going Into Property Expansion—Critics Misinformed Who Put Company Into War Bride Class

IN 1916 the common stock of the International Paper Co. was kicking around the market at $9.50 a share. Today it is quoted in the neighborhood of $85, and, judging from its activity, there is an excellent demand for it at that figure. The comparatively high price prevailing for the stock at the present time is all the more striking when it is recalled that, following the signing of the Armistice, uninformed investors classified International Paper among the War Brides, dumped their holdings overboard and bemoaned what they hastily concluded was the demise of a great stock market actor.

If recent performances of the stock mean anything, not to mention recent developments inside the company, the people who wanted to bury International Paper with the War Brides of a few years back were completely misled. The company today is more fully alive than ever before in its history, is enjoying what amounts to its greatest period of prosperity and looks out upon a long period of business expansion as well as continued high prices for its products.

International Paper has been in the business now for over 22 years. It was originally formed as the merger of some twenty paper manufacturers scattered throughout New York, Maine, Massachusetts and New Hampshire. Today it is listed as the largest paper maker in the world with a normal output of something like half a million tons of paper annually, and its production is twice that of any other single company in the business.

Handicapped at the Start

The company was put to it in the first few years of its existence to obtain recognition and a square deal for its product and organization. Legislation of an adverse character, including the removal of a small duty existing on news print, which action stripped the company of about its only defense against foreign competition, practically prohibited earnings of any reasonable amount; and after paying two small dividends in 1898 and 1899, the company gave up any attempt to enthuse its stockholders. Instead, the International Paper directors spent their days keeping the plants in condition and putting earnings back into property against the time when recognition would be forthcoming and reasonable earnings made possible.

This troublous period lasted well into 1915, earnings available on the preferred stock swinging between a little over 7% to as low as 2.6%. Of course, through all those years of apparently unproductive labor, dividend obligations on the company's cumulative preferred stock were piling up; and by 1917 a total of 33 1/3% in back dividends was due on this issue.

In 1916, however, International Paper reversed its standing in the financial community by showing an operating income of more than $7,000,000—the largest in its history up to that time; and in the succeeding year this remarkable improvement was overshadowed by another big jump in operating income—this time to above $12,000,000.

The turn for the better was due, very largely, to war conditions as existing in Canada. Before the war, the Dominion Government had established a positive prohibition against the exportation of wood pulp to the United States, the object being to encourage home industry at the expense of American mills. This action, cutting off as it threatened to do, a very serious percentage of the available supply of wood pulp was greeted with the most abject disappointment and discouragement by those who were hoping the International Paper Company would grow rich quickly. The doom of the American paper industry began to be talked of as a matter of only a few months.

Just as the war came as the salvation of many other American industries, so was it the much-needed influence that revitalized the International Paper Co. and saved it from the anticipated effects of Canada's edict prohibiting exports of pulp. Every available bit of factory space in the Dominion was converted to the manufacture of war munitions, and such comparative non-essentials as news prints and other forms of paper were neglected. As a result, the International Paper Co., instead of facing severe opposition in Canada, enjoyed the lifting of practically all competition there; and instead of prices falling even lower, they shot up to a point where the company was enabled to increase its operating income to about three times the figure formerly prevailing.

Company's Finances Readjusted

As soon as conditions in International Paper assumed the healthy, promising aspect noted above, the directors undertook the pleasurable job of paying off back dividends and adjusting funded debt. and current liabilities.

INTERNATIONAL PAPER CO.
SEVEN-YEAR HISTORY.

Year.	Operating income.	Working capital.*	Bond interest.	Earnings on pref. stock.
1912	$2,562,958	$5,945,976	$909,066	5.35%
1913	2,317,987	7,270,378	887,597	4.44%
1914	2,601,099	8,935,605	867,649	5.08%
1915	2,648,906	10,137,011	847,834	5.44%
1916	7,002,793	14,545,135	826,983	22.85%
1917	12,366,338	15,443,311	726,704	33.59%
1918	7,831,322	16,249,795	385,521	20.61%

*Estimated on basis of current assets

A readjustment plan was arranged in 1917, providing for the refunding of the bonded debt, an increase in the authorized preferred stock from $25,000,000 to $32,500,000 to accommodate the convertible feature of the $7,500,000 of new bonds authorized and the discharge of the 33½% accumulated dividends by distribution of 7½% in cash, 14% in 6% cumulative preferred stock and 12% in common

Photo from Underwood & Underwood

WOOD PREPARING PLANT

After barking, the logs are cut into small blocks and passed through working machines which turn the blocks into chips for the chemical cooking vats

stock. For the latter purpose, the remainder of the company's available authorized stock was used.

Following this refinancing arrangement, the capitalization of the International Paper Co. stood as follows: common stock, $20,000,000 authorized, with $19,764,008 outstanding; 6% cumulative preferred, $32,500,000 authorized and $24,724,676 outstanding; 1st and refunding convertible 5% bonds, due 1957 (convertible July, 1919-1922 into 6% cumulative preferred, par for par) $6,420,000; consolidated sinking fund 5s due January, 1935, $769,000, and subsidiary bonds $789,000.

The bonded debt of the company has been heavily reduced in the last three years, totaling $7,189,000 in 1918 compared with $15,970,000 in 1912. In face of this big reduction in bonded debt, the company has increased its working capital from $5,945,976 in 1912 to $16,249,795 in 1918.

Snags Hamper Progress

Upon the entrance of the United States into the war, the plain sledding which the International Paper Co. had been enjoying ended and occasional snags and stumps began to get in its way. Briefly, the obstacles were the commandeering by the Government of the steamers International Paper relied upon for transporting wood from Canada; the unavoidable closing down of the Maine plants for a long period owing to lack of fuel, and the diverting by the Government of the Niagara Falls water supply, depriving some of International Paper's biggest mills of their motive power.

The effect of these impediments was speedily felt by the company. Without going greatly into detail it is enough to say that the company's operating income fell off from the 1917 total of $12,366,338 to $7,831,322. At the latter figure, however, the company's showing was considerably better than for any year prior to 1917, as the accompanying table will show.

It was probably this drop in the International Company's earnings that set the gossips to classifying it among the unfortunate fortunate ones, or, rather, among the companies who, through their great war-time achievements, had rendered themselves unable to cope with peace conditions. Recent developments, however, would seem to indicate that the International Paper Co. has strengthened its position and established itself so securely as to warrant the assertion that the company is on a secure basis, not at all dependent upon war conditions, and that it has entered upon a career of prolonged prosperity.

Optimistic Attitude Logical

That this optimistic attitude is entirely consistent with the facts seems clear from a review of the recent developments in the affairs of the International Paper Co. One of the most important recent events has been the reopening of the Niagara Falls plant, which will be used for manufacturing writing paper and tablets. Another is the announcement that the company has installed itself in Canada through the erection of a large paper mill at Three Rivers on the St. Maurice River —a plant which will cost in the neighborhood of $6,000,000. There is considerable talk that, through this Canadian interest, the company will be in a position to export on a large scale should domestic requirements let up at any time to the point where exporting would be desirable. However, officials of the company have stated that the company's domestic orders are sufficient to keep its mills running to capacity for some time to come.

Photo from Underwood & Underwood

A WISCONSIN MILL

Beater room where wood pulp is forced through screens before being rolled

Probably the biggest development in International Paper affairs has been the decision of the company to convert 15 machines which formerly manufactured fine papers to the manufacture of news print. The added newsprint capacity of these machines is estimated in round figures at 200 tons a day, and it is expected they will increase the International Paper Company's present output of newsprint by something like 60,000 tons a year.

The action of the company in increasing its news print capacity was the natural result of the rising price trend of that product. Compared with the rate at which requirements for newsprint are increasing, the American market is now and has for some time been practically bare of stocks. The growth of newspaper circulation in the last five years has been phenomenal, and the amount of advertising done through these mediums has increased by leaps and bounds. An illuminating table portraying this growth is reproduced here. It shows the circulation of representative newspapers of the United States, including those having a daily circulation, excluding Sundays, of 5,000,000 or over, as follows:

1916	23,850,000
1917	24,600,000
1918	25,000,000
1917	25,800,500

From this rapid growth, observers can judge how substantial the increased demand for newsprint has been. It is likely that a big proportion of the people who have started reading the newspapers in the last few years did so to get the news of the war; at the same time, the newspaper habit, once formed, is not an easy one to break, so that the record-breaking circulation figures of the present time may be considered lasting. Moreover, owing to the shortage of news print, many papers have been forced to turn down huge totals of advertising in the recent past; with a bigger production available and the removal of war-time restrictions, it is likely that volume of advertising matter carried in the aver-

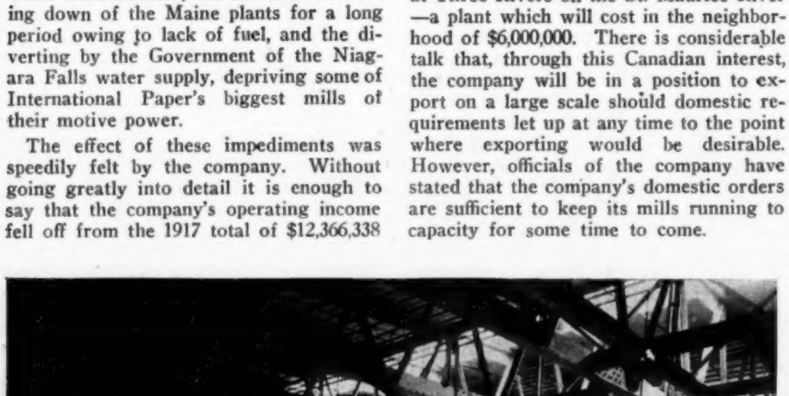


Photo from Underwood & Underwood

PAPER MAKING MACHINES

Pulp in liquid form passes through the screens, thence through a series of hot rollers, coming out in large rolls of finished paper

age newspaper will increase, requiring just so much more paper to carry it. The influence these developments will have on the earnings of the International Paper Co. is apparent.

Financial Outlook Promising

The outlook for International Paper securities, as reflected by recent activity in them, is believed to be very favorable. Earnings of the company for 1919 are conservatively estimated at $25 a share—it is quite possible they will equal $30 a share—compared with $18.47 in 1918, $34.02 in 1917 (the abnormal year) and $24.85 in 1916. Interests in close touch with the company's affairs believe that 1920, all things considered, will be the best year in the company's history, especially if a free market for its output is permitted.

The chief argument in favor of International Paper securities from an investment standpoint is the large asset value which has been piled up behind them during the last few years of large earnings and no dividend payments. As of December 31, 1918, the company's common stock had an asset value figured at slightly more than $196 a share, compared with $171 a share at the close of 1915. This figure of asset value for 1918, moreover, is without including $7,506,245 used in 1917 to pay off accumulated dividends and which approximates $38 a share on the common stock.

It is not believed likely that the company will inaugurate dividends on its common stock at least for a while, owing to a policy of conserving cash resources and maintaining a strong financial position. In this connection, perhaps the most instructive commentary would be the remarks of President Dodge last April. Mr. Dodge said, in part: "You directors are impressed with the need of strongly buttressing your company against the strains and stresses that will be created as the whole business structure of the world settles back into pre-war shape, and realize their duty to broaden and make still stronger the foundations of your company which are destined to bear an even greater and loftier superstructure as the carefully deliberated plans of improvement and expansion are developed and executed."

From these remarks, as well as the active expansion already effected in the International Paper organization, it is plain that the company has embarked on a program which must eventually establish its securities in the investment market far better than dividend disbursements could do. Vol. 25, Pg. 74.

Continental Motors Makes Best Showing in Its History

Earnings for 1919 More Than Double 1918—Expanding Facilities and Has Good Outlook

REPORT of the president of the Continental Motors Corporation for the fiscal year ending October 31, 1919, has just recently been issued. It shows net profits, after deducting all manufacturing, maintenance, administrative and selling expenses, as well as insurance, depreciation and ordinary taxes, of $5,125,725. This compares with $2,454,785 net profits earned in 1918, representing an increase in the company's net earnings for the period of $2,670,940.

Continental Motors Corporation is the largest single manufacturer of gasoline engines exclusively in the United States. The present corporation was formed early in 1917 to take over the business and property of the Continental Motors Co. This latter concern began business in Chicago in 1902 so that, except for changes in name and organization, Continental Motors has really been in the business and marketing its product for almost 18 years.

The company confines its operations to the manufacture of gasoline engines. For this purpose it has two plants, one located at Muskegon, Michigan, and the other at Detroit. The Muskegon plant, standing on a 12-acre tract, comprises 17 buildings; it is advantageously situated with regard to transportation facilities by both rail and water. The Detroit plant, including 14 buildings, stands on a 19-acre tract. The factories have a combined floor space of 732,000 square feet and are of modern type and construction having, for the most part, been designed and developed especially to meet the requirements of the company.

In 1917 the capacity output of Continental Motors was approximately 160,000 motors a year. At the present time this capacity is considerably larger.

Product Standard for Years

The gasoline engines put out by the Continental Motors Corporation have been "standard" for years in the motor industry. At one time or another the company has numbered a big proportion of the American motor car manufacturers among its customers, including such big sellers as Willys-Overland, Paige-Detroit, Velie, General Motors Truck, Republic Truck and Saxon Motors. With changes in the automobile industry and expansions of various assembling companies the selling lists of the Continental have naturally varied from year to year. However, the market for the company's engines as a whole has substantially increased and it is still ranked as the biggest producer of what is probably the highest type gasoline engine.

Financial growth of the company since 1912, the earliest year for which figures are immediately available, has been remarkable. Operating profits, after deduction of depreciation, mounted from $638,000 in 1912 to $2,454,785 in 1918. The further increase to $5,125,725 in 1919 marks one of the most spectacular performances of any similar company in the country.

Heavy War Work

From the nature of its business, it is apparent that the Continental Motors Corporation would be called upon to do extensive war work. "Mule-power," although used at the training camps on this side of the water early in the period of the war, gave way almost entirely to gasoline engines as the war progressed; and since the government had formerly relied to a great extent upon mules in its transportation service it found itself when hostilities began very meagerly supplied with motor trucks.

Government orders received by the Continental company, including direct orders from the Army department as well as indirect orders from numerous assembling companies, totaled more than $21,000,000. The company was fortunate in its war work in more ways than one; first, it was able to make a very neat profit on the transactions; secondly, the new machinery and expanded capacity was not "waste" since it merely meant enlarging the company's regular line facilities; and finally, the additional capacity made necessary by Government work came in very handily after the war in accommodating the substantially enlarged commercial orders which then materialized.

Work on Government contracts was completed in January of last year at Continental's Detroit plant, releasing the capacity of this factory for use in commercial lines. The Muskegon plant cleaned up its army contracts about a month later. Regarding the effect of this war work on the plants and the policy of the company in handling it the following official statement is enlightening:

"During the fiscal year ending October 31, 1918, large expenditures were made in constructing new buildings, purchasing additional equipment and machinery and in making necessary improvements in order to effectively handle the production required by the Government. Through the previous establishment of definite plans for future additions and readjustments we were able to so arrange this construction as to avoid any considerable changes in the future."

Financial History and Prospects

The policy of the Continental Motors Corporation has been to pay out as liberal amounts in dividends as were war-

ranted by the earnings of the company, but only after generous appropriations to depreciation. Dividends on the preferred stock were begun in April, 1917, when 1¾% was declared; for the year 1917 the company paid out a total of 4¼% on the preferred and 7% in 1918 and 1919. The common stock received an initial dividend of 1½% in June, 1917; 3½% for the year 1917, 6% in 1918, 6½% in 1919, and is now rated as being on an 8% basis.

At present, the company's capitalization consists of an authorized $3,500,000 7% cumulative preferred, of which there was outstanding as of October 31, 1919, a total of $2,757,000. This preferred issue is redeemable on April 1, 1920, at 104% and accrued dividends, and at 1% advance during each successive year for six years. Commencing April 1, 1918, a sinking fund provision requiring that 20% of annual net profits be diverted for retirement of preferred went into effect; and up to the present time the company has purchased a total of $742,500 preferred in accordance with this provision.

The common stock consists of an authorized $15,000,000, par value $10, of which 1,453,925 shares are outstanding. Laws of Virginia, under which the company was formed, require a statement of assets for valuation of common stock issues, in pursuance of which Continental Motors carries its common stock at $7,227,369, representing net assets, exclusive of special tools, dies, jigs and fixtures, patterns, designs, drawings, patents and good will.

Performance of the Continental Motors Corporation since its organization has been one of progressive expansion, and at the present time an optimistic attitude regarding the future of the company seems warranted. Despite the loss of production incident to readjustment of the company from war work to commercial business, total sales in 1919 were 25% above total sales for the preceding year; and at the end of the year closed, business on the company's books was 93% in excess of the amount at the close of the previous 12-months period.

Continental Motors Corporation
Comparison of Income Accounts

	Jan. 24 to Oct. 31, 1917	Year Ended Oct. 31 1918	Year Ended Oct. 31, 1919
Profits....	$1,636,815	$2,454,785	$5,125,725
Taxes.....	240,000	515,000	1,700,000
Net Profits	1,396,815	1,939,785	3,425,725
Pfd. Divs..	178,305	238,282	206,635
Com. Divs.	217,928	1,162,784	944,993
Surplus....	1,000,582	538,719	2,274,097

According to the president of the company, manufacturing equipment now being installed will about double the company's capacity. This additional output will be available by July of this year and is expected to permit the company to handle additional business already offered it totaling $10,000,000. The company has developed new lines in both truck and passenger car motors, in which standardization and interchangeability of parts have been the main consideration; and it is believed likely that 1920 will prove an even better year for the company than was the year just closed.

The preferred stock is selling on the Detroit Exchange and the New York Curb around $95 a share, while the common, of par value $10, sells around $13.50. At these prices the preferred is looked upon as a promising investment and the common, whose equity is increasing with the constant redemption of preferred stock, seems entitled to grow in value.

INCOME TAXES FOR 1920

THE normal taxes and surtaxes which the average married man, with one dependent, and therefore entitled to a $2,000 exemption will pay, during 1920, compared with those which he had to pay for income received during 1918, follow:

Net Inc.— $2,000 Exemption	Surtax Per Cent	Tax to be Paid in 1920 on Income for Year 1919.	Tax Paid in 1919, on Income for 1918.
$3,200..........	..	$40	$60
4,000..........	..	80	120
5,000..........	..	120	180
6,000..........	1	170	250
8,000..........	2	370	530
10,000..........	3	590	830
12,000..........	4	830	1,150
14,000..........	5	1,090	1,490
16,000..........	6	1,370	1,850
18,000..........	7	1,670	2,230
20,000..........	8	1,990	2,630
22,000..........	9	2,330	3,050
24,000..........	10	2,590	3,490
30,000..........	13	3,890	4,930
40,000..........	18	6,390	7,730
50.000..........	23	9,100	11,030
60,000..........	28	12,590	14,830
70,000..........	35	16,490	19,130
80,000..........	38	20,890	23,930
90,000..........	43	25,790	20,230
100,000..........	48	31,190	35,030
200,000..........	56	93,190	101,030
300,000..........	60	161,190	173,030
500,000..........	63	303,190	323,030
1,000,000..........	64	663,190	703,030

Income taxes will be payable on or before March 15, June 15, Sept. 15, and Dec. 15. The full tax may be paid when the return is made, which must be done between Jan. 1 and March 15.

"Happy the people whose annals are blank in history books."—CARLYLE.

How Occupations Figure As Producers of Incomes That Run Into Seven Figures

American millionaires, classified according to their incomes, are distributed among the following professions and occupations:

Yearly Income.	$100,000	$150,000	$200,000	$250,000	$300,000	$400,000	$500,000	$1,000,000	$1,500,000	$2,000,000	$3,000,000	$4,000,000	$5,000,000
Accounting professions	1	..	..	1	..	..	..	..	..	..	..	..	..
Architects	2	2	1	..	..	..	..	..	..	..	..	..	..
Artists	..	2	..	..	1	..	..	..	..	..	..	..	..
Authors, editors, reporters..........	8	2	2	1	1	..	2	..	..	..	..	..	..
Clergymen	2	1	..	..	..	..	..	..	..	..	..	..	..
Engineers, civil, mining..........	30	11	3	3	4	2	1	..	..	..	..	..	..
Lawyers and judges..........	108	44	18	10	8	4	10	2	2	..	..	..	..
Medical profession	10	6	4	1	4	1	1	..	..	..	..	..	..
Public service, civil..........	4	2	..	..	..	1	2	..	..	..	..	..	..
Public service, military..........	2	1	1	2	..	..	..	..	..	..	..	..	..
Theatrical profession	5	4	2	2	1	..	..	..	..	..	..	..	..
Teachers	1	..	..	..	..	..	..	..	..	..	..	..	..
All other professions..........	9	5	3	3	2	1	1	1	..	..	..	..	..
Professions not stated..........	21	11	5	6	3	..	1	..	..	..	..	..	..
Farmers, stock raisers, etc..........	83	13	9	2	4	7	2	..	..	..	..	..	..
Bankers	89	54	43	16	30	19	24	11	3	4	4	1	2
Real estate brokers..........	27	7	5	4	2	1	5	..	1	..	..	..	..
Stock and bond brokers..........	104	49	21	18	14	9	16	3	4	1	..	1	..
Insurance brokers	7	2	1	1	2	..	1	1	..	..	..	..	..
All other brokers..........	132	56	37	13	17	15	7	4	..	1	..	2	3
Capitalists, investors, etc..........	1,273	631	347	236	263	134	290	70	33	34	9	8	5
Commercial travellers	1	1	..	..	..	..	..	..	..	..	..	..	..
Corporation officials	338	133	79	46	45	26	39	3	3	2	..	1	1
All other employees..........	23	11	2	..	5	..	..	..	..	..	..	..	..
Hotel and restaurant men..........	9	5	1	1	1	..	1	..	..	..	..	..	..
Insurance agents	9	7	..	..	..	..	..	..	..	..	..	..	..
Labor, skilled and unskilled..........	2	1	1	..	..	1	..	..	..	..	..	..	..
Lumbermen	9	2	1	1	..	..	..	..	..	..	..	..	..
Manufacturers	404	184	111	46	71	36	38	18	4	5	2	1	..
Merchants and dealers..........	438	171	122	75	69	33	42	12	4	1	..	..	..
Mine owners and operators..........	60	37	13	12	17	9	8	1	6	..	..	1	3
Saloonkeepers	1	..	1	..	..	..	..	..	..	..	..	..	..
Sportsmen and turfmen..........	1	..	..	..	..	..	..	..	..	..	..	..	..
Theatrical owners and managers...	6	5	1	3	2	..	..	..	..	..	..	..	..
All other business..........	102	52	27	14	13	3	12	3	..	..	1	..	..
Business not stated..........	141	76	41	23	26	19	21	5	..	1	1	..	1

Securities We Would Not Recommend and Why

Suggestions from Members of Our Staff As to Issues Which They Would Prefer to Avoid Under Present Conditions

INTERNATIONAL OIL & GAS—According to the circular issued on behalf of this company, it has $400,000 of 7% first mortgage convertible five-year sinking fund gold notes, and $7,950,000 in capital stock of par value $1, but offered to the public at 75 cents. Estimated earnings for this year are placed at $562,140, of which about a half comes from the company's producing acreage of 540 acres in the Pine Island and Bull Bayou oil fields, which net 1,000 barrels daily from twelve wells. The working capital of the company consists of $287,000, raised by the sale of stock to an underwriting syndicate.

With this scanty capital, here are the achievements of the company to date:

1. It has purchased 250 acres of oil leases in northern Louisiana, on which it is claimed $225,000 has been expended for equipment alone.
2. It owns 45,000 acres of leases situated in the Ranger field, and in twelve other counties of Texas.
3. It owns 1,023 acres of oil leases in the State of Kentucky and 320 acres in southern Arkansas. All these leases, of course, have been passed on by eminent geologists connected with prominent oil companies.
4. It intends to acquire a controlling interest of $3,200,000 in a subsidiary company of $6,000,000 outstanding stock, which owns 25,000 acres of oil and gas leases in Kentucky, and 1,610 acres of leases in Mexico.

It looks as if this company were sinking a good deal of money on prospects, with a scanty allowance of actual cash and the "ample funds provided for drilling operations," mentioned in the circular, turn out to be $287,000, or enough to drill about four holes on the company's large acreage. The requirements of the notes for sinking fund and interest will be $108,000, or 20% of the estimated net earnings for the year. With further drilling requirements it would seem that dividends would have to be postponed for a year at least, as the company's refinery of 500 barrels a day capacity could not be depended upon to stabilize earnings. For a low-priced oil stock with possibilities I should feel more inclined to recommend Ryan Oil at 4 or Cosden convertible preferred at 4⅜.—G.

Denver & Rio Grande Preferred.—The Denver & Rio Grande R. R. is one of the railroads which has not "made good" under government control. The preferred stock seems in a particularly poor position at the present time. The troubles of the company began when it lost the suit brought against it by the Equitable Trust Co. of New York as trustee of the 1st 5% bonds of the Western Pacific Ry. Co. The payment of these bonds had been guaranteed by the Denver & Rio Grande R. R., and the defaulting of the interest due March, 1915, was looked upon as a breach of contract by the courts. At the same time certain securities held by the company were ordered sold by the courts, which brought the losses sustained by the company through the suit to about $84,000,000. No dividends have been paid on the preferred stock by the company since 1911. In 1918 the company operated under a deficit of $1,334,811. In 1919 the company earned under government guarantee about 2.85% on the preferred and nothing from actual operations. Prior to 1918 the company earned on average only about $4 per share on the preferred stock. The road is at present operating under receivership and there is apparently nothing about the preferred stock issue which would recommend it to the investor.

Pere Marquette common seems to offer the investor better opportunity to profit in the future. About 9% is being earned for this on actual operations.—P.

Crucible Steel, which has been fluctuating between 215 and 210, does not impress me as a widows' and orphans' investment, nor even too conservative as a speculation until it falls to a price materially below 200. The company has shown wonderful earnings, it is true; also it has at length started paying dividends at the rate of 12%. Also its earnings have ranged between $30 and $45 a share in the last four years. From the point of view of equities, book value, "plowing back," etc., there can be no fault. But I am inclined to regard the dividend as too liberal, and the present rate looks to me like a gift from the Greeks; frankly, I have to be "shown" that, in bad times as well as good, the Crucible Steel Company can maintain an earning power of say 25-35% net, after all taxes, charges, write-offs, etc., on a conservative scale. Its dividend is admittedly unseasoned; its record a typical war-bride romance, and although I am convinced that Crucible has definitely turned the corner, I would prefer to exchange this stock for Lackawanna, Midvale, Nova Scotia or others that have not yet discounted the self-same factors that cause Crucible to sell above double-par.

And what about U. S. Steel?—de V.

Middle States Oil is commencing to get down to a saner level around 40, but a stock that can crack wide open in a few days from 70 to 40 is hardly "conservative." It's the sort of stock that, if I held, I would want to sell out to the point where I could get some sleep at night. It's no use getting too discouraged at 40, as even if the company is not in the cracker-jack class, as most people believed when it was selling at 70, enough people will be found (who do not read THE MAGAZINE OF WALL STREET) who will perhaps buy it up to 50 or higher. That 20% stock dividend might prove a better drawing-card at 40 than it did when the news was put out and the stock sold above 65.

For those who are lucky enough to have been out of the stock, I think the safer policy is to let well enough alone at this juncture, until the market in it demonstrates clearly that the end of the decline has been reached by some tangible evidence that those who made all the money in Middle States Oil are willing to reinvest a part in buying back their specialty at 40 or lower.—de V.

New Oil Stocks.—The time is right here to scrutinize new offerings very carefully: much more carefully than in 1919. This ought to be regarded as the "closed season" for new oils. Last year one could always sell out on the other fellow if one acted quickly. This year, I am afraid that investors in some of the newer oils are going to put a double lock on their pocket-books. They have had a bad beating in Caddo Oil, Transcontinental, Sinclair, Middle States, etc., etc., and I believe that, strange as it may seem, the public is commencing to learn.

There are better things than the newer oil promotions, even to gamble in. Why not leave them alone, and take no chances?—de V.

Arizona Extension.—I would not buy this stock, which is being extensively advertised in certain newspapers, because:

The record of the advertiser is well known and is not satisfactory to me. He has handled many promotions, and if any of them have been a success—from the stockholders' standpoint—it has never come to my attention.

This stock is advertised as "The real gamble of the age." I do not wish to gamble, and if I did I would prefer a game where I knew approximately the per cent retained by the "kitty."

Mr. Lawson's engineers are said to be examining this property with a view to some kind of a "deal." This does not add to the attractiveness of the proposition from my point of view.

This advertisement is conspicuously absent from the columns of several leading newspapers which carefully censor their advertising.

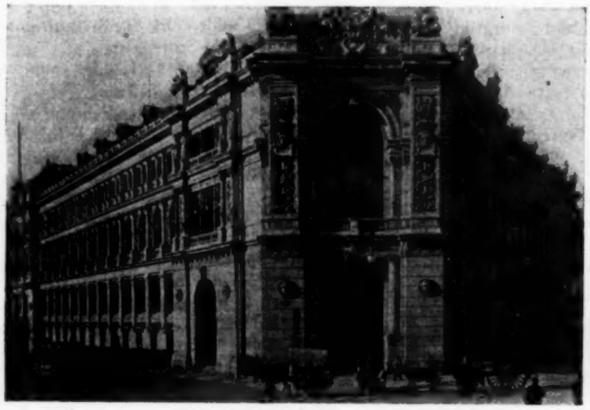
Finally, I would not buy the stock of any mining company which was being exploited by large space in the newspapers, as this very fact shows that it is necessary to spend a great deal of money to sell the stock. The better the stock, the less advertising is needed to sell it.—S.

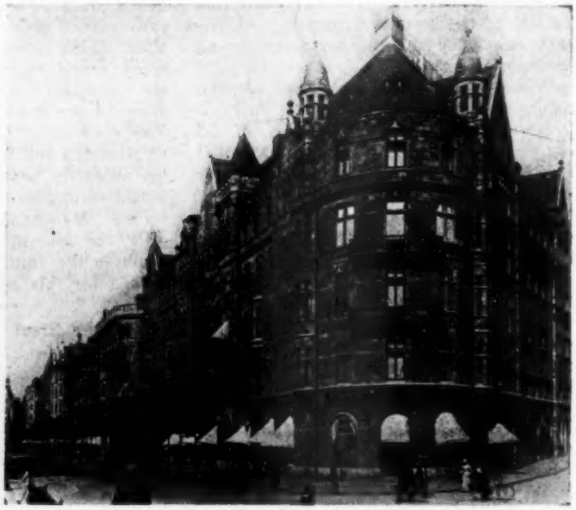
"Because half a dozen grasshoppers under a fern make the field ring with their importunate chink, whilst thousands of great cattle, reposed beneath the shadow of the oak, chew the cud and are silent, pray do not imagine that those who make the noise are the only inhabitants of the field; that of course they are many in numbers; or that, after all, they are other than the little shrivelled, meagre, hopping, though loud and troublesome insects of the field."—BURKE.

CENTERS OF INTERNATIONAL FINANCE

Commerce—the life-blood of nations—flows from these great financial institutions and, coursing through the intricate economic vein structure, provides the nations with the strength and endurance that make their existence possible.

VIENNA STOCK EXCHANGE
Despite Austria's serious economic position the prices of stocks have shown sharp advances as described in an item elsewhere in this issue





THE BANK OF SPAIN
Spain, once the wealthiest of nations, is again approaching a "place in the sun" as a result of great industrial advances during the last few years

FINANCIAL DISTRICT, STOCKHOLM
The Swedes are proverbially thrifty and this national characteristic has manifested itself in the establishment of sound financial institutions

THE BANK OF ITALY
The war brought a realization of the preponderant part German capital had played in Italy and aroused national interest in Italian banking houses

THE BANK OF ENGLAND
"As strong as the Bank of England" is an expression which shows what the world thinks of "The Old Lady of Threadneedle Street"

Trade Tendencies

As Seen By Our Trade Observer

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Steel

Production Unequal to Demand

THE steel industry at the present time is in the unusual position of having to refuse order after order, because capacity for the first half of the year has been taken up already, and producers are unwilling to take on orders for delivery after June, because of uncertainty as to production costs. Steel production is now estimated to be running at about 80% of capacity, despite efforts to raise it, and the increasing amounts of unfilled orders on the books.

The inability to increase production is laid to some extent at the door of the strike of last year and its after effects, the hiring of inefficient labor, the disappearance of a good deal of labor to other industries, and unrest among the workers. The shortage of cars for the transportation of both raw materials and finished products is hindering production, too, and the outlook is that this condition will not be remedied during the interim period of Federal control.

Shortage of pig iron, while not so pronounced as in the case of steel, is a factor, and this in turn is laid to underproduction of coke. Coke-makers blame the price-fixing policy of the Government, which, they, say, makes it more profitable for them to sell their coal as such than to convert it into coke, in which form it is used by the iron and steel industry.

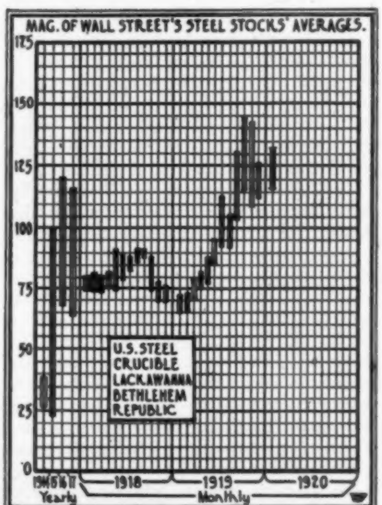
Price Tendencies

The steel market is comparatively inactive now, because of the unwillingness of producers to accept new commitments. Price advances now take the form of premiums on delivery, which are continually going up, and the abolition of discounts in certain lines. In the pig iron field, prices are firm, demand for second half iron being heavy and supply limited. Furnaces are taking on many orders for delivery after June, following a period of reluctance, and price advances in this field are looked for, in the same way as pig iron prices advanced last year after the virtual loss of the steel strike.

Finished products such as sheets, wires and plates are in great demand and short supply, and quotations are being advanced in many cases. Pipe-line construction is active, and is making urgent calls on the mills for the larger sizes of piping, but little actual new business is being transacted, because of the congested state of the mills.

Railroad equipment buying has begun to make its appearance, inquiries for several hundred locomotives having been reported, in addition to a fair-sized tonnage of heavy rails. It is believed that this business will have to be apportioned, for delivery purposes, so as not to overburden this class of mill.

Shipbuilding requirements are believed to have been nearly all filled for the time being, but structural steel promises to come into stronger demand. As a result



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of these variegated types of activity, the steel industry as a whole is being kept busy in all its branches, except, perhaps, the rails, with orders running far ahead into the second quarter of the year and a huge potential demand piling up. Once production can overcome the difficulties of labor inefficiency and car shortage, and get above its present level of about 80% of capacity, prosperity seems assured for some time ahead.

Copper

Market Dullness

WITH the active demand of the larger consumers satisfied for the time being, the copper market is fairly dull, though prices are being well maintained. Speculative activity is still present, though largely reduced from the proportions it had last year, and it is said the speculative supply is almost exhausted by now.

Stocks in the hands of smaller producers are believed to be near the exhaustion point, and in consequence a revival of the sharp demand that began last December is expected. Foreign buying is somewhat on the increase at the present time, but copper men say that the big export trade is still to come.

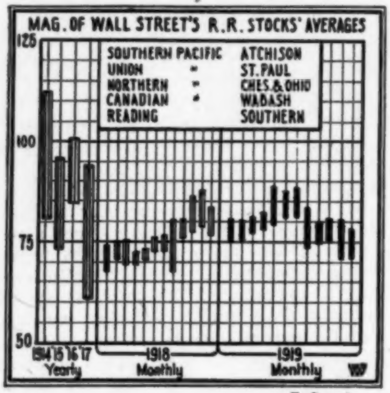
Allied countries are believed to have used up the large Government stocks which have kept them out of the market since the armistice, and which in some cases were even increased in 1919. Germany, it is well known, has next to no copper at all, and is a great potential customer for the red metal. In view of the fact that Germany expects to resume the manufacture of electrical goods on a large scale, its demand for copper may be expected to be insistent, exchange difficulties in the buying of raw materials being neutralized by the exchange advantages involved in the sale. Credit rather than exchange is the main consideration in the copper buying of this country, and members of the Copper Export Association say that this handicap is being overcome by the extension of dollar credits to Germany through Holland and by the sale of German-owned American securities.

The increased construction business at home is expected to do much in relieving the copper companies of their accumulated surplus, which, in spite of efforts to curtail production during 1919, is larger now than it was at this time a year ago. Signs of this demand have already been felt in the steel industry, and its reflex on the copper mining situation is considered inevitable.

The public utilities, which in many cases have been receiving favorable treatment at the hands of local regulating authorities, have come back into the market for copper products, for new equipment and for replacement, expenditures which they have been keeping down to the minimum during the uncertain period of rising costs and stationary income.

The price has been kept at the same level throughout the minor weekly fluctuations of supply and demand, which is considered a favorable sign, as the larger producers, who hold great stocks of unsold copper on hand, are believed to be able to carry their surplus for some time longer without making disastrous price concessions in an effort to force trade.

The outlook seems favorable for the longer view, considering all the factors of increased demand which are likely to materialize within the next few months, though it is not likely that prices will be advanced until the surplus is considerably cut down. The one reason why copper companies are able to sell copper at a profit for 19½ cents a pound, with actual production costs of about 18 cents, is, of course, the fact that the silver



To Dec. 4.

which many of them obtain as a by-product helps to cut down the nominal producing costs to a point where the current prices permit of a profit. This effect of high silver prices in cheapening the production cost of copper will become more marked as increased output becomes more feasible, when the surplus has practically disappeared.

Cotton

Slump in Cotton Market

TECHNICAL conditions again have caused temporary depression in the cotton market, with slightly lower prices. The falling rates of foreign exchange, high money rates and the announcement of higher rediscount rates, and sympathetic declines with the stock market, have been powerful bearish influences.

Export buying has become insistent, although Germany is still to be heard from, it is believed. Deliveries in England have been so heavy as to keep the spot market low at English textile centers. Together with the heavy domestic demand, this is taken to indicate a smaller carry-over than last year, which in case of another short crop will mean possibly higher prices next year.

The attitude of the trade is profoundly bullish, as preparations are being made for a busy season in all branches of the textile industry. Few mills are not well behind in their deliveries, and orders are coming in, undeterred by the high prices being charged. Another indication of what business men think of the cotton situation here is the reported tendency in New England for the old established mills to be bought out by powerful capitalists, after the fashion of the cotton mills speculation of the Lancashire district in England last year.

Consumption of cotton by domestic spinners is running unusually high at this time, though stocks in sight are fairly large. Ginning figures were somewhat higher than expected, and had a bearish influence on the market. The trade seems able to absorb all the cotton coming on the market, however, and is the steadying influence which has prevented the liquidation which has characterized the market recently from becoming a rout.

Silver

Lessening the Silver Demand

CONFRONTED with rising prices for silver and a shortage of the metal for coinage purposes, many governments have been resorting to frank debasement of the currency to make up the deficiencies of the white metal. Canada, for instance, has reduced the silver in its currency from 975 fine to 800 fine, and it is reported that many European countries are about to take similar measures. In France, the shortage of silver is remarked on by all economic authorities, and has got to the point where the small shopkeeper has difficulty in making change on every-day purchases. In England a similar situation is beginning to exist, and talk of using nickel coinage has become active. The remedy suggested has been either to make the coins smaller, and keep them of the same composition as before, or else to change the composition by using more alloy or else switching over into some different metal.

The difficulty seems to be that silver is being called on to do a good deal of the work that gold formerly had to do, and is now helping support a largely increased currency in every civilized country. At the same time, the Chinese demand has introduced a trade condition of extreme gravity, as no bottom has been found in the pool into which disappears all silver shipped to China.

The heavy exports of silver from China during the war may help to explain its present voracious demand to some extent. The traditional fondness of the Eastern peoples for silver for decorative and hoarding purposes has played its part, too, and a distrust of the paper notes which were beginning to find favor in China and India, because of fears of revolution, is said to be an auxiliary influence also.

The United States' help by means of the Pittman law has about run its course, under present conditions, and the Government is now faced with the necessity of buying back the silver it has recently exported at the rate of one dollar an ounce, which practically serves to assure the silver market against any return to pre-war prices for silver for some time to come.

At the time of writing, silver prices are not at the high point they reached toward the end of 1919, when it was almost becoming profitable to melt down the subsidiary currency. Charges were beginning to be made that either melting down or hoarding in anticipation of higher prices was responsible for a good deal of the shortage then being experienced in small change.

The outlook at the present time is highly uncertain, as much depends on the requirements of European nations for currency, and the extent to which the Eastern demand is still active remains to be determined. Production is being resumed on a more active scale, stimulated by prevailing high prices, and many mines which were not worth working at prices prevailing during the long decline in silver from 1873 down, are now once more commercially workable propositions. At the same time, Canadian labor difficulties at the Cobalt camp have been about straightened out. In Mexico, which is the largest silver-producing country in the world, the situation is still unsettled, but is believed to be improving. It is unlikely, therefore, that any significant advance in the price of silver can be expected, unless some new development as yet unforeseen makes its appearance.

Leather

Active Market Again

WITH the re-entry of heavy foreign buying into the American leather market, prices have been moving upward again after reaching their low mark in December. This buying has included practically all grades of leather, and is so insistent that it is said to have cleaned out the stocks of a good many retailers, finding manufacturers unable to supply the foreign demand on short notice.

The consensus of opinion in the shoe industry is that leather and finished leather products prices cannot be expected to go down for at least six months ahead, although there is some difference of opinion as to whether price increases are to be looked for within a short time. It is claimed that the leather from which this year's shoes will be made cost considerably more than that of last year's, while manufacturing costs have not gone down, but rather to some slight extent upward.

Supply is more plentiful than some weeks ago, with increased importations noted from Argentina. Retailers' stocks are said to be very low, however, and the same applies to the stocks of intermediate manufacturers between the raw hide importer and the retailer. Charges of profiteering continue to be made, of course, but are indignantly denied by members of the leather industry.

The automobile industry has come to the fore as a heavy consumer of leather, this tendency being emphasized after the Automobile Show of a few weeks ago. Considerable buying of leather in large sized skins was reported from this source.

The reappearance of the European demand which was a powerful factor in the price advances of last year came as more or less of a surprise, as the tendency in foreign exchange rates has been downward since that time. In Germany and Austria, particularly, the currency has been so depreciated that it was thought these countries had been removed from the market as buyers of leather. A strong demand has been remarked from these sources, however, including both leather and finished leather goods with little regard for the price. This is regarded as an indication of the extent to which the

leather industry of that country is depleted of stocks.

The outlook for raw leather is one of advancing prices, as demand is strong, manufacturers seeming to have overcome their reluctance to buy large quantities at high prices. Apparently, the prevailing view is that the consumer will be willing to pay any price that may be necessitated by the high costs of materials and labor, and then some. This view is supported by leading shoe and leather men, who go so far as to blame the existing high prices on the unwillingness of the consumer to accept any but the highest-priced products, with special emphasis on the best qualities.

This discrimination in the demand, according to them, means that large quantities of medium and lower-grade leather and leather goods are being neglected, while all the buying is concentrated on one particular kind of leather. This operates in the same way as a general shortage of leather, to boost the price up. Barring a change in the quality of public buying, it is expected that price advances will be inevitable in the near future, particularly in the better grades of leather.

Shipping

Improving Business Recorded

THE charter situation is improving decidedly, under the stimulus of an increased shipment of coal to Europe, metal exports to Japan, the Far East and Europe, and agricultural products. Manufactured products are not being shipped in much quantity, but the slackness which has characterized past weeks has been overcome in the opinion of most shipping men.

One difficulty that American shipping has had to contend with has been port congestion in a good many foreign harbors, particularly the European. The longshoremen's strike at Havana is also exercising an unfavorable effect on our shipping. British and French ports are believed to be the worst offenders in this respect. The net result is the same as if the amount of American shipping available for overseas traffic were reduced considerably, as the length of stay in port is increased.

Shipping circles are looking with considerable interest to steps now being taken to improve the position of the export trade in manufactured articles, as under the unfavorable influence of foreign exchange and credit difficulties these exports have declined except in such commodities as are absolutely essential and cannot be waited for. This "compulsory buying" by Europe is not expected to keep up much longer, and the opinion is expressed that it will be necessary to take measures to maintain our export trade.

The Washington Situation

While the present uncertainty as to the definite policy of the Government in regard to the merchant marine continues, all eyes in the shipping world are turned toward Washington. The chairman of the Shipping Board has stated that the policy of the Board for the time being will be to continue the present regime of Government ownership and private operation. It is likely, however, that the terms under which private interests have been operating Shipping Board vessels will be modified, by paying the operators on a percentage basis of net profits, instead of a commission on gross business executed.

In the meantime the agitation for Government ownership of the merchant marine is dying out, and measures looking toward the development of a large American privately-owned but Government-controlled shipping industry are taking shape. The question of a well-balanced merchant marine is now uppermost, as intensified by the present need of tankers and the superabundance of wooden steamers. The conversion of coal-burning steamers to the use of oil as fuel is going on apace, and is being even more rapidly adopted by British shipping interests.

According to statistics available, American shipbuilding has recovered from its threatened slump of some months ago, and is now kept fully occupied with orders both for American and foreign account. At present we are leading Great Britain in tonnage of shipping actually now on the ways, and prospects are that our production figures will in a few years, if maintained at their present levels, put our merchant fleet at the head of the world. Foreign shipping competition, mostly British and Japanese, is fully aware of the danger involved, and shipping men who look far ahead into the future believe they see signs of a greater amount of merchant shipping afloat in a short time than the world needs in the present state of international trade.

For the time being, however, indications are that the current prosperity of the shipping industry will be well maintained for some time to come, and in the event of a successful working-out of plans to expand foreign trade, will even increase.

Motors

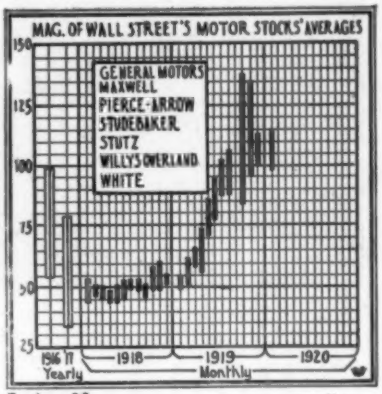
Price Advances Spoken Of

THE main difficulty confronting the motor industry at the present time would seem to be the fact that its field may become more limited. In the first place, the prices of crude oil, and correspondingly petroleum products such as gasoline and lubricating oil, are going up, causing an increase in the operating expense of a car which may make the prospective buyer more hesitant. In the second place, there has been a good deal of talk about the motors themselves going up in price, which, of course, would further tend to limit buying.

This would not have held true some time ago, when prices, wages and costs of production were leading each other a merry chase in an unending circle. With the present tendency to "call a halt," however, it may be necessary for producers of the less essential commodities to consider carefully before they go in for ambitious schemes of expansion.

At the present time production facilities have been greatly increased on the basis of past orders and prospects of future ones, but the position of many mushroom concerns, and even established ones which have been increasing their plant equipment and building new factories on the strength of an apparently unceasing demand. Should this demand slacken, a condition of overproduction and competition would result, with consequent disaster to the less well-fortified companies.

With any tendency to retrenchment and lessening of demand, danger signals for the warning of the automobile industry would be apparent which it would not be well to disregard. The motor-truck industry, it must be said, would seem to be in a better position in case of a reversal of fortune than the passenger-car producers, because less "inflation" has surrounded its development than in the case of the other branches of the field. The good roads movement is making great progress,



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being helped by both National and State appropriations, and the old prejudice against the motor-truck as a destroyer of good roadbed has largely disappeared in view of the undoubted usefulness of the truck as a supplement to other means of transportation.

The Motor Show of some weeks back showed the great expansion of the industry, and the enthusiasm now prevalent as to its prospects. Just how it will weather a period of adversity, which must come in time to any industry, is more than doubtful.

For the present, demand is well sustained and many producing companies are months behind in their deliveries. Orders are still coming in freely, and numerous new companies are being formed to take advantage of the present unprecedented demand. A certain amount of difficulty is being experienced in laying up supplies of steel for any great time ahead, because of the congested condition of the steel industry, while the stocks of most motor companies, depleted during the steel strike, have not as yet been replenished. This is not interfering with current operations, however, and production is showing a steady increase. Barring a check to the general prosperity of the country, the industry is looking forward to its most prosperous year.

(*Continued on Page* 494)

"Revenge is profitable, gratitude is expensive."—EDWARD GIBBON.

"Idleness and pride tax with a heavier hand than kings and parliaments. If we can get rid of the former, we can easily bear with the latter."—FRANKLIN.

Building Your Future Income

Financial Messengers to Garcia—We Cannot Help You If You Will Not Help Yourself—"A Message to Garcia" Is One Way to Independence

WHEN Harriman told the young man, "Save it, young man, save it!" this command was no different from that of President McKinley to the messenger boy Rowan.

The President didn't tell the boy how, when or where. He gave him a dispatch and said, "Here! Take this to Garcia, somewhere in Cuba." The boy asked no questions: he didn't know Garcia, or where he was, or *why* the message.

It took him three weeks over land, swamp, jungle and sea—and he delivered "the goods."

The boy by the name of Rowan was the true hero of the Cuban war by doing that which he was told to do.

Difficult or easy, it was his essential task—and he did it.

THE first principle of investment is to "save it, young man." How you save it is unimportant. Whether you do it by stern discipline, sacrifice, toil, scrimping, or even by fooling yourself that you are only earning one-half of what you are getting, also makes no difference.

Your function is to deliver the goods and save the money. Rowan might have told you. Elbert Hubbard in his "Message to Garcia" has told us how in twenty languages. If you just *can't* save, try a dose of this little preachment, and if it does not cure you blame the writer.

You cannot become independent without working for independence.

You cannot *keep* your independence without watchfulness.

You cannot attain it without making a start, somewhere and somehow. You have got to reach Garcia somewhere in Cuba, and it is your own business when and how you do it.

Rowan did it by crawling through the jungle, walking through swamps, traveling over treacherous seas in an open boat, and across a hostile country on foot.

LIKE the road towards Independence, his trip to the mountain fastnesses of Cuba had no beaten tracks, no sign posts, no helping hand. He just *had* to get there—and got there. That's just your position.

If you wish to become independent you have a battle before you, and if you wish to war against poverty you must go *armed*. David fought Goliath with a sling: Rowan kept his powder dry and used a musket. Better use a club or a sword, because there are pirates on every hand ready to knock you down and take it away from you.

Your sword is your *saving* and *conserving* power, and your ability to take care of both. Lose these and you have surrendered your sword to the enemy—want and poverty.

GUARD them and you can fight again, even though you suffer temporary reversals: and you will surely win. Remember Foch, with his "wings broken," his sides jammed in, overwhelmed in number and strength on all sides. His simple message to the high command at Paris explains how he acted—". . . but I am advancing!"

We are trying to make it easier for you by giving the experiences of other who have "delivered their messages to Garcia" under equally trying financial circumstances. Read the two success stories written by engineers whose figures do not lie.

Read Elbert Hubbard's message.

Use these tested weapons intelligently. See if they will not cut the Gordian knot of your own financial problems.

"A man may, if he know not how to save as he gets, keep his nose to the grindstone."—FRANKLIN.

"Vessels large may venture more,
But little boats must keep near shore."
—FRANKLIN.

"Men in great places are thrice servants—servants of the sovereign or state, servants of fame and servants of business."—BACON.

"Prosperity is the blessing of the Old Testament; adversity is the blessing of the New."—BACON.

Designing Financial Independence

Details of An Interesting and Practical Plan, Carefully Worked Out

By **M. H. SIRRON, M. E.**

IT was not until I was within three weeks of thirty years of age that I realized the wisdom of formulating definite plans for acquiring financial independence. This was over twenty-two years ago, but the finding of my original figures recalls with vividness the thoughts responsible for their adoption. The question to which I sought an answer was: "In what way can I save sufficient to permit retirement at the age of sixty?"

"I shall need," I reasoned, "$5,000 per year as a minimum. Five thousand dollars is 5% of $100,000. I have $400. This leaves $99,600 to be saved in thirty years —an average of $3,320 per annum. My income for 1898 will not exceed $3,000 in salary and $20 in interest, while my expenses will approximate $2,020. All that I shall be able to save the first year is, therefore, $3,000 + $20 —$2,020 = $1,000, or less than a third of the required average."

This is the point at which I presume most aspirants drop their pencils in discouragement, but I resharpened mine, determined to ascertain the most promising expediencies. The result is shown in the accompanying table.

Col. A is an arithmetical series in which each consecutive figure differs from the preceding one by such an amount* as is necessary to make their sum equal to the desired $99,600.

Col. B gives the accumulative totals of Col. A, plus the $400 previously saved.

Col. C shows what I allowed for expenses.

Col. D contains the totals of Cols. A and C, and thereby represents the income required to save and live at the rates indicated.

Col. E shows the resultant returns on investments, figured at 5% of the number of even hundred dollars of which Col. B makes me possessed the previous year —i. e., 400 × .05 = 20, 1,400 × .05 = 70, 2,500 × .05 = 125, etc.

Col. F gives the difference between the figures in Cols. D and E, and hence indicates by what amounts the income from investments must be augmented.

These are the figures I had sought from the start. Upon them depended success or failure. The $10,540 at the foot of Col. D looked ominous, but the further I advanced in Col. F, the more elated I became. The result exceeded my hopes. That one could accumulate $100,000 from a maximum salary of $5,845 seemed incredible, but there was the evidence.

*This figure is found by multiplying the number of terms (30) by twice the first term (2 × 1,000), subtracting the product (60,000) from twice the sum (2 × 99.600) and dividing the difference (139,200) by the product obtained from multiplying the number of terms by the number of terms less one (30 × 29).

The way in which I am progressing under this plan is depicted in the adjacent curves. The dotted line in pair A corresponds with the figures in Col. B, while the solid one represents the actual total savings effected. This amounts to $62,914, whereas but $59,360 was required at the close of 1919—a margin of $3,554; despite unforeseen expenses.

Curve D indicates a gradual failing since the age of 40, followed by a decided drop at 48, but a few additional steps at B will turn the trick.

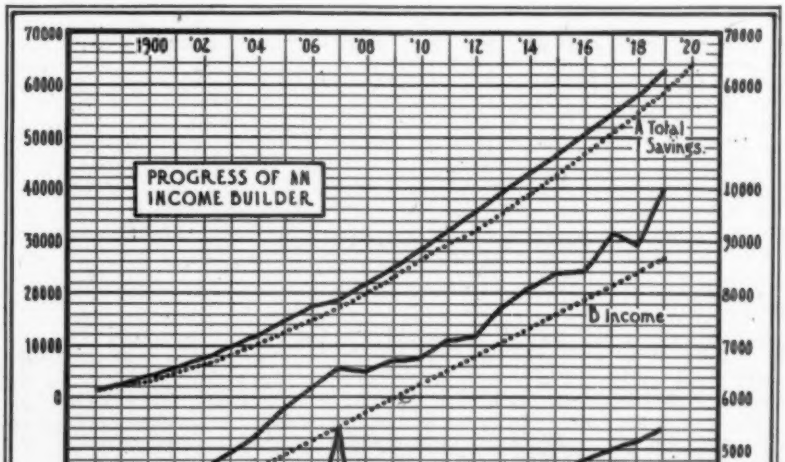
The Answer

It is not strange to us that engineers (and sometimes architects) send us the best plans on this and kindred subjects.

Dec. 31, 1891 Year.	Age.	A Required Annual Saving.	B Required Aggregate Savings.	C Necessary Living Expenses.	D Required Annual Income.	E Interest on Investments.	F Required Annual Salary.
1898........	30	1,000	1,400	2,020	3,020	20	3,000
1899........	31	1,160	2,560	2,100	3,260	70	3,190
1900........	32	1,320	3,880	3,200	3,520	125	3,395
1901........	33	1,480	5,360	2,300	3,780	190	3,590
1902........	34	1,640	7,000	2,400	4,040	265	3,775
1907........	39	2,440	17,600	2,900	5,340	755	4,585
1912........	44	3,240	32,200	3,400	6,640	1,445	5,195
1917........	49	4,040	50,800	3,900	7,940	2,335	5,605
1918........	50	4,200	55,000	4,000	8,200	2,540	5,660
1919........	51	4,360	59,360	4,100	8,460	2,750	5,710
1920........	52	4,520	63,880	4,200	8,720	2,965	5,755
1926........	58	5,480	94,360	4,800	10,280	4,440	5,840
1927........	59	5,640	100,000	4,900	10,540	4,715	5,825

The dotted lines in curves B, C and D are delineations of Cols. D, C and A, respectively, while the solid ones represent my actual yearly income, expenses and savings.

It is their profession to reduce ideas to graphs, plans and charts, consequently they can back up their theories on most given subjects by reducing them to a



concrete visualized form that makes analysis easy.

You will recall a recently published ject of "Financial Independence," and that contributor's record, like your own, article by another engineer on the sub- was one of success. There is nothing uncanny about this, as system has fixed laws.

Your observations, and your record in conjunction with that previously published, proves emphatically that "Building Your Future Income" and "Financial Independence at Fifty" rests on the solid foundation of fact—not on the ethereal substance that imagination is made of. This does not minimize the value of imagination in its proper place.

You have illustrated one of those truths that are so hard to "put over" in ordinary sincere language. We have been preaching these doctrines for years: we tried to crystallize them in "Financial Independence at Fifty" by practical illustrations: we emphasize and reiterate these ideas through "Building Your Future Income," and shall continue to do so until some of their principles take root.

Of course, it's easy to save and make money grow! The acorn must become an oak if it is taken care of. The difficulty of the thing is its consummate ease. That sounds "Irish," and under it is the incredulity of the public to believe the truth when it is handed them.

The late Mr. Gould used to say he always told the truth because nobody ever believed him. You might remember the experiment of a psychologist who tried to sell pounds Sterling on London Bridge for a penny apiece, and found no buyers.

The simple truth proven by your figures is just *the* trouble. It looks too good to be true. The average individual likes to inject his imagination into the abstract and weave his own fairy fabric. He likes to flatter himself that he is cleverer than his neighbor, consequently the simple way out has no general appeal.

Walking around instead of "across the lot" looks more energetic. That's why people would rather *look* important than *be* prosperous. Engineers' charts, such as yours, reduces their effort to a mathematical basis: and you know how uncompromising mathematics are.

We only need add to your excellent study of the power of earning and saving in a scientific way, that your estimates are entirely conservative. Money can now be invested *safely* at 6% to 6½%, and the expert can improve this to 7% without sacrificing much excepting time required for digging into latent opportunities. Yours is an excellent contribution to this subject, and we wish you continued success.

"We learn wisdom from failure much more than from success. We often discover what will do by finding out what will not do; and probably he who never made a mistake never made a discovery."
—Samuel Smiles.

However gradual may be the growth of confidence, that of credit requires still more time to arrive at maturity.—Disraeli.

Points Income-Builders Should Know

Brief Explanations of Terms Frequently Met in Financial and Investment Literature

Barometer Stocks

THIS is the name usually given to such stocks as U. S. Steel, Beth. Steel B, Reading, Anaconda Copper, Union Pacific, Amer. Locomotive, Texas Co., etc. The prices of these and other similar stocks are averaged daily and the rise or fall of the average price is considered to be a good indicator of the trend of the market. In fact, it has been said that if an investor were to closely follow the action of the barometer stocks and trade accordingly, his chances of losing would be greatly reduced. Formerly U. S. Steel was considered to be the best barometer of the market, and while it still occupies a prominent place among the leaders, it is not sufficient in itself to indicate the trend of the market, as the enormous number of securities now on the market is too varied in nature to allow any particular one to influence one's judgment too strongly.

Current Assets

This is the name given to those assets of a corporation which are of a shifting or changeable nature, such as cash on hand, accounts reecivable, inventories, etc. In other words, all accounts which may be quickly turned into cash should the occasion arise. They are easily distinguishable from capital assets, which include such items as property, permanent investments, equipment, etc. Capital assets will not, of course, vary much from year to year; therefore, the rise or decline in the total current assets will very often shed light on the progress of a corporation.

Preferred Stock

This is the name given to that class of stock which is prior to the common stock in the payment of dividends or the distribution of assets or property. Preferred stock, however, is not prior to the funded debt of a company, and interest on the funded debt must be paid before dividends on the preferred stock can be distributed. Provision is often made for the retirement of the preferred stock issue at par and a premium and also for the paying off of the preferred stock in the case of liquidation of the company. Preferred stocks are usually cumulative; that is, should the dividend not be paid on the date when it becomes due, the sum of the dividend is charged against the issue and accumulates. While, of course, preferred stocks are in some cases speculative, they are as a general rule more conservative than common stock.

Underwriting Syndicate

A union or combination of bankers or others who have pledged themselves to buy an entire issue of a security at a certain prescribed price. They then sell the issue to the public at a price to yield them a profit. Should they not sell the entire issue to the public they are privileged to retain the unsold securities at the original purchase price. In the case that the underwriting is unsuccessful, and the syndicate is left in possession of almost all the securities offered by them, it is obvious that the syndicate is able to control the price of the security and to cause it to rise or decline according to its wishes.

Who Needs the Endowment Policy?

The Special Purpose of This Form of Insurance—Different Varieties—Forming the Habit of Saving

A FEW weeks ago the head of a large business concern in the Middle West died very suddenly. Three or four days later the concern of which he was the head received a check for $100,000 from one of the life insurance companies of this State. The policy had been in force since April, 1919—considerably less than one year. It had been obtained on the life of this man by the firm and for the benefit of the firm. It was on the 15-Year Endowment Plan.

The bare fact that many prominent and successful business men, such as H. P. Davison, formerly head of the American Red Cross, carry heavy endowment insurance, is alone sufficient evidence that this type of contract is entitled to an important position in life insurance. Endowment policies, however, despite their several attractive features, are frequently taken by individuals whose needs would be provided for infinitely better on the ordinary or limited payment life plans. Many men make a very great mistake in loading themselves with fifteen or twenty-year endowment policies when they are young. Five or ten years later, finding themselves situated in different circumstances, they regret it.

Endowment policies were devised to meet the needs of certain individuals, and endowment insurance is excellent when properly applied. They differ from ordinary and limited payment life contracts in that they provide for the payment of the face of the policy to the *insured* upon his or her surviving a definite number of years. This term of years may be long or short. Those running for a short term of years, of course, have a much higher premium deposit than those maturing thirty or thirty-five years in the future. It may be also arranged to have them mature at a given age, such as sixty-five, seventy or even eighty. In this case they are called endowments at that age—as an endowment at age sixty-five.

When they run for ten or twenty years they are referred to as ten or twenty-year endowment, as the case may be. Regardless of how long or short this term of years may be, every endowment policy has certain characteristics (with the exception of those on the lives of children, commonly called child's endowments). These characteristics may be summarized as follows:

1. They run for a definite number of years, such as ten, twenty, twenty-two, or thirty.

2. They provide for the payment of the face of the policy to a beneficiary in the event of the death of the insured during this time.

3. Upon surviving this period of time the insured receives the face of the policy and the insurance ends.

As endowment policies are a combination of saving and temporary protection, with the emphasis usually on the former, they may be analyzed as consisting of (1) Term Insurance and (2) Pure Endowment. By term insurance is meant that the insured is protected for a stipulated number of years, at the end of which time the protection ends. A small premium is charged for this protection. By adding to that premium the company is thereby enabled to create a saving fund for the insured, which is handed over to him or her after the last deposit is made. This is called "Pure Endowment."

The general principle may be illustrated as follows: A man secures a policy for $1,000 on the 20-Year Endowment Plan with an annual premium of, say, $50. As he is protected for 20 years to the extent of $1,000, some of this premium must be used for this protection. Assuming that $10 a year is required, it is evident that the insured has deposited at the end of 20 years $40 more each year than was necessary for his insurance. This he receives back in cash in the form of an endowment of $1,000, plus any dividends and accumulations he may have left with the company during the 20 years. In most companies the net gain, over and above the *total* amount paid in on a 20-year endowment policy is about $200.

The great benefit of endowment insurance is that it teaches people to save money systematically. The average man will not miss a few dollars saved every year, and over a period of years the dollars pile up and make a material sum. A thousand dollars coming due at age forty is sometimes a great help. It must not be forgotten, however, that a savings fund can be accumulated on the 20-Payment Life Plan as well as on the 20-Year Endowment Plan, although the return is not so large, as the protection is very much greater.

The short-term endowment policies should not be taken by individuals who need *life insurance* for the protection of dependents. Too many men with heavy responsibilities are improperly advised to take endowment policies. Where a yearly premium of $200 would purchase roughly $2,000 on the 10-Year Endowment Plan, it would give about $10,000 Straight Life in the younger ages.

Habit of Saving

Authoritative statistics show that fifty-four out of every one hundred average men will be dependent upon charity for support when they are sixty-five. Thirty-six more will be dead. If all the men sixty-five years of age today, who are unable to support themselves, had learned the habit of systematic saving when they were young they would not be dependent. Endowment policies taken out when young, and maturing at ages sixty or sixty-five, are a very attractive proposition, provided, of course, they are taken out in conjunction with some other plan of permanent life insurance. Often a man's responsibilities are over at sixty-five. His mother and father have probably predeceased him. His children are grown up and earning their own living. Also his earning capacity has begun to decline. At this time of life a maturing endowment is a great boon. It serves to insure him against being dependent in his old age, and falls due at a time when he has less need of life insurance. Of course, in many instances this does not apply. A man might have a large estate to provide for, or for various other reasons require heavy life insurance payable only upon death.

In considering Endowment Policies impartially, they have many very desirable features and many disadvantages, although what might be a disadvantage for one might be a benefit for another.

They serve as an incentive to save and provide temporary insurance while the saving fund is being accumulated. On the other hand, the volume of protection in proportion to the premium is usually much less than that on the other plans (except in long-term endowment policies). Very frequently they mature at a time when the insured is most in need of life insurance. He or she is then considerably older than when the policy was first taken, possibly fifteen or twenty years older. As the insurance is over, it is necessary to secure additional. The premium, of course, is much higher. The applicant may be unable to pass the medical examination. These contingencies should be carefully considered by every one taking endowment insurance. It must also be borne in mind that circumtances change during a period of years and endowment insurance is not nearly as flexible as ordinary life and limited payment life. For a few people it is the finest kind of life insurance contract written; for the majority (unless taken in conjunction with other kinds of policies) it is not nearly as attractive in the long run as the other plans.

The following article will deal with the Life Insurance Policy, and any questions will receive careful attention.

Shallow men believe in luck.—EMERSON.

Providing Short-Time Farm Credit During Production

By **JAMES B. MORMAN**

Assistant Secretary Federal Farm Loan Board

THE most important problem connected with farm finance has always been to provide short-time credit. It takes at least six months to raise a crop of staple farm products, and no loan is of much use to a farmer for a shorter period of time.

But a farmer produces to sell. The latter takes time also. Unless the market is to be glutted with an over-supply of farm products, thereby bringing down their price, even perhaps below their cost of production, it is important for the farmer and the banker that short-time loans be for at least nine months. So far as the farming industry is concerned, production and marketing of crops can hardly be separated in thought; and, for the welfare of both borrower and lender, nine-months' paper is to be preferred.

Government Interest in Short-Time Loans

When the United States Commission, which went to Europe in 1913 to study agricultural credits, made its report to Congress, both long-time and short-time credit systems for farmers were recommended. But, apart from the provisions in the Federal Reserve Act, which authorize the making and discounting of short-time paper for agricultural purposes, Congress has never seriously considered an independent short-time credit system for farmers. Congress seemed satisfied when it had passed a farm mortgage system, so that the farmer today is dependent upon the Federal Reserve system and other banking institutions for the means of procuring credit during the crop-growing and marketing period.

Before the establishment of the Federal Reserve system it was the custom of merchants and bankers to lend to farmers on their growing crops, but only on condition that they pay their notes when the crops were harvested. This made no provision for marketing. The result was that the crops had to be marketed promptly and, where many farmers were engaged in the same line of production, the markets were glutted with staple products, which caused a reduction in their price, to the great disadvantage of the borrower.

But this policy had another effect. Every fall the country passed through what was known as the crop-moving stringency. Products flooding the market in this way had to be moved. Banks began fortifying themselves early in the season for the crop-moving period by calling in as much of their resources as possible; but even then at times the government had to come to their aid by making temporary deposits of funds to assist in the movement of crops. A rational system of short-time loans to farmers, therefore, should take into consideration the relation of the marketing of crops to their production. What the farmer needs and should have for his own good, for the banker's advantage, and for the country's welfare, is to be able to borrow on his growing crops at not less than a nine-months' period and at a reasonable rate of interest. This will enable him to carry his crops until he can dispose of them at a remunerative price, prevent a glutting of the market, and stop the annual stringency of cars and funds for crop-moving purposes.

Though the Federal Reserve system provides that farmers' notes, drafts or bills of exchange drawn for both productive and marketing purposes are eligible for rediscount by Federal Reserve banks, farmers throughout the country have not generally taken advantage of the system. This is probably due to the fact that most farmers are not familiar with the Federal Reserve system which was established mainly for industrial and commercial purposes.

As an industry, agriculture is not only unique in that it is largely sufficient unto itself, but with the average farm in the United States being about 140 acres in size, the units of the industry are widely separated and often remote from banking centers either large or small. At the same time, the farmer is in need of a rational short-time credit system, for few of them are able to work to the best advantage in raising, harvesting and marketing their crops without employing credit. It is this need which country banks, state or national, can help to supply while benefiting themselves and the business of the country at large.

Farm Business the Basis of Credit

Under the guidance of the state agricultural college, a sound foundation is being established for short-time loans to farmers. The plan rests entirely upon sound business principles and requires among other things that the farmer shall keep books, have a checking account at his local bank, meet his obligations promptly, have a limited number of creditors, and not given to the practice of endorsing other men's paper. Many banks and trust companies in various states are already cooperating with the agricultural colleges in carrying out this program. They put loans to farmers on the same basis as loans to business men, the object being to bring about more satisfactory relations with them. Let me emphasize these points a little more in detail.

1. Farming a Business Proposition. In ordinary trade, industrial and commercial relations, it has been the practice of bankers to require from borrowers a detailed statement of the condition of their business. This includes a statement of assets, liabilities, earnings and expenses for the previous year or for a series of years, in order to enable the banker to determine whether or not the borrower is likely to meet his debt with interest if the loan is granted.

But in lending to farmers in the past, bankers have largely depended upon the reputation of the borrower and too little upon his farming and business ability. While business integrity is important, it is not an adequate basis for a loan. Consequently, under the new plan, a farmer wishing a loan is expected to secure from his bank, county agent, or state official a standardized credit statement blank form and to supply desired information as to his assets and liabilities, amount of notes he has endorsed, life and fire insurance carried, inventory of farm property, farm operating expenses for the preceding year, and other data deemed necessary in judging the business standing of the borrower. The more completely such information is given, the more likely is a farmer to procure his loan. The request for such information on the part of a banker is reasonable and just, and is based on the conviction that farming is a business proposition and the farmer a business man.

2. The Importance of Farm Accounts. In a recent article I discussed the value of bookkeeping for farmers. In providing short-time loans for the production and marketing of crops, there is only one reliable source of information as to a farmer's financial condition—his ledger. This is not hard to keep for all practical purposes. From the ledger a farmer can easily fill out a credit statement which will be satisfactory to himself and to any bank officer to whom application has been made for a loan.

Unfortunately, this source of information is often not available on the farm, but the banks are beginning to insist on it as a basis for loans. A ledger account for short-time credit is as important as land is for mortgage credit. A few simple records of the farm business make it possible to supply the desired information at any time, and nothing farmers can do would more surely strengthen their personal credit. As previously pointed out, no complicated system of bookkeeping is necessary, but a simple record of assets and liabilities, of income and outlay, is an important condition for better credit.

3. The Value of a Bank Account. One of the functions of a bank is to finance business enterprises. It has been a common claim that banks in the past ignored short-time farm loans. But no progressive bank is likely to refuse a loan on any actual profitable business proposition; so that, when a ledger account plus a banking account present the evidence of a profitable farm business, the farmer stands on the same credit

foundation as any other business man. A checking or savings account at a country bank is indicative of sound business practices by such a farmer.

A farmer who does business, however small, with a bank becomes one of the bank's customers. In all business transactions, when goods and funds are limited, it is the practice to provide for one's customers' needs first. The farmer himself does this, and why should not the banker do likewise? Business sense requires a country banker, whose loaning funds are necessarily limited, to take care of his regular customers, and then, if he has additional calls for loans and has the money to lend, he is ready to consider applications for loans from those who do not deal at his bank.

But here is the important point. So many farmers neglect to become regular customers of a bank and are practically unknown to the bank officials. When such a farmer applies for a loan, his record must be looked up and all sorts of inquiries made. This takes time and involves expense; hence experience has taught bankers to shun such prospective borrowers. But even a small account at a local bank overcomes the difficulty; for through it a farmer becomes known to the bank officials. Of two men desiring loans at the same time, the one who does business at the bank stands a much better chance of getting his loan—at least, he may expect to be more promptly served—than the farmer who is not a customer of the bank.

4. Maintaining Bank and Store Credit. Next to procuring short-time credit is to keep it good. This is particularly important in the case of farming because it is one of the most uncertain industries in the world. The farmer plants, but he may not reap. Storms, drought, diseases, insect pests—in short, many natural forces over which the farmer has no control may destroy his prospects of success for a season and make it impossible for him to meet his obligations promptly. Such a condition deserves sympathy not condemnation. If a farmer debtor goes to his banker and explains his circumstances, he will invariably find a sympathetic listener and, by the payment of his interest, be able to get his loan renewed. This is the proper course to take, and no farmer should hesitate to do it under any unfortunate circumstances affecting his ability to repay his debt when due.

Instead of going to his creditor, however, a farmer who cannot pay sometimes keeps out of the way. He could not make a more serious mistake. The creditor is entitled to as much consideration as the debtor. If a farmer is unable to keep his promise to pay through stress of circumstances, he should go to his creditor, explain his financial condition, and make some arrangement for paying his debt later. This is the next best course to paying the debt. No farmer can expect to maintain his credit who does not face his creditors squarely or meet his obligations promptly when they fall due.

The same holds true with reference to store credit. Many farmers, particularly in the South, depend more upon store credit than upon banks to carry them through the producing and marketing periods. It is said that three-fourths of the farmers in Alabama and other Southern States operate their farms through merchant credit. Farm machinery, fertilizers, lime, seed, equipment and other supplies are frequently bought on time, and the merchant carries such a customer on his books apparently without interest. But in this the debtor is mistaken. The merchant has to pay interest, and he charges it up in the price of the goods sold to his debtors. It is simply another way of making a loan during production. Any farmer who makes extensive use of store credit is under a moral obligation to treat his merchant with the same consideration as he would his banker. He cannot do otherwise if he would maintain his credit at the store.

The practice of endorsing other men's notes is also another way of decreasing one's chances of procuring and maintaining credit at bank or store. A farmer who endorses another's note for any sum not only makes himself personally liable for that amount, but has lowered his credit to that extent. Bankers and merchants are not eager to give credit to farmers who freely endorse other men's notes.

Cost of Short-Time Farm Loans

Contrary to a very general though mistaken belief that the cost of farm loans is high, farmers are able to procure personal loans at a comparatively low cost. From investigations made by the United States Department of Agriculture, the average total cost of short-time loans, including interest and all other charges, ranges from less than 6½ per cent in the New England States, to between 7 and 8 per cent in the corn-belt States, up to from 10 to 15 per cent in the South and the Rocky Mountain States.

In the New England States, where the total cost of loans is lowest, the average extra cost above the interest rate is only about ½ of 1 per cent; in Illinois, Iowa and other corn-belt States the extra cost is less than 1 per cent; and in the South and West where interest rates are normally much higher than in the East, the average extra charges often run as high as 2½ or 3 per cent.

The amount of short-time loans to farmers approximate $1,610,000,000. Of this vast sum national banks have loaned $765,000,000, or 47.5 per cent; State, private and savings banks and trust companies about $845,000,000, or 52.5 per cent. This means, then, that State and Federal institutions, in cooperation with banks and merchants, are educating our farmers to satisfactory methods of procuring short-time loans during the producing and marketing period of their important industry.

AMERICAN COAL SUPERSEDING PRODUCT OF FOREIGN MARKETS

J. C. Gould, British Coal Magnate, Warns English Miners to Consider Success of Our Fuel

"The American exporters and shippers are fully alive to the fact that American coal has never had such a favorable opportunity for forcing its way into the markets of the world as it has to-day.

"The advantages which America possesses over us can be summarized, briefly, in their improved shipping facilities, the cheapness of coal at tidewater, the rapidity with which vessels can be loaded, and the favorable location of the shipping ports, both toward Europe and South America and her coal fields.

"It is certain that American coal has a vast advantage over British coal in the future markets of the world, and that the cost of production, despite the fact that the miners are paid wages more than twice, and even as much as three times as much as English miners—the cost of production per ton is still very much below the cost in England.

"All men that are ruined, are ruined on the side of their natural propensities." —Burke.

"A business with income at its heels
Furnishes always oil for its own wheels."—Cowper.

Yield of Stocks

Table for figuring return on dividend paying stocks:

Selling Price	Rate 4%	Rate 5%	Rate 6%	Rate 7%	Rate 8%	Rate 10%	Rate 12%
50......	8.00	10.00	12.00	14.00	16.00	20.00	24.00
55......	7.27	9.09	10.91	12.72	14.55	18.18	21.82
60......	6.67	8.33	10.00	11.67	13.33	16.67	20.00
65......	6.15	7.69	9.24	10.77	12.31	15.38	18.46
70......	5.71	7.14	8.57	10.00	11.43	14.29	17.14
75......	5.33	6.67	8.00	9.33	10.67	13.33	16.00
80......	5.00	6.25	7.50	8.75	10.00	12.50	15.00
85......	4.71	5.88	7.06	8.24	9.41	11.76	12.14
90......	4.44	5.56	6.67	7.78	8.89	11.11	13.33
95......	4.21	5.26	6.32	7.37	8.42	10.53	12.63
100......	4.00	5.00	6.00	7.00	8.00	10.00	12.00
105......	3.81	4.76	5.71	6.67	7.62	9.52	11.43
110......	3.64	4.55	5.45	6.36	7.27	9.09	10.91
115......	3.48	4.35	5.22	6.09	6.96	8.70	10.43
120......	3.33	4.17	5.00	5.83	6.67	8.33	10.00
125......	4.20	4.00	4.80	5.60	6.40	8.00	9.60
130......	3.08	3.85	4.62	5.38	6.15	7.69	9.23
135......	2.96	3.71	4.44	5.19	5.93	7.41	8.89
140......	2.86	3.57	4.29	5.00	5.71	7.14	8.57
145......	2.76	3.45	4.14	4.83	5.52	6.90	8.28
150......	2.67	3.33	4.00	4.67	5.33	6.67	8.00
155......	2.58	3.22	3.87	4.52	5.16	6.45	7.74
160......	2.50	3.13	3.75	4.38	5.00	6.25	7.50
165......	2.42	3.03	3.64	4.24	4.85	6.06	7.27
170......	2.35	2.94	3.53	4.12	4.71	5.88	7.06
175......	2.28	2.86	3.43	4.00	4.57	5.71	6.86
180......	2.22	2.78	3.33	3.89	4.44	5.56	6.67
185......	2.16	2.70	3.24	3.78	4.32	5.41	6.49
190......	2.11	2.63	3.16	3.68	4.21	5.26	6.32
195......	2.05	2.50	3.08	3.59	4.10	5.13	6.15
200......	2.00	2.50	3.00	3.50	4 00	5.00	6.00

Cities Service Extends Its Activities

Established as Public Utility, Cities Service Joins Leading Oil Producers—Diversification of Company's Properties—Features of the New Financing

By **MAX GOLDSTEIN**

BEFORE the Great War one spoke of Cities Service as a flourishing public utility—merely that, and nothing more. At the beginning of 1916 its daily production of oil amounted to 4,000 barrels a day, and by the end of the year it had increased this amount to 28,000 barrels. At the present time it produces about 5% of the total output of the United States, and it is common knowledge that its current production is a drop to what it could turn out if all its acreage were working.

Statistically, in 1915, the oil operations of the company produced 5% of its gross income; in 1916, the percentage had increased to 45%, the following year it was 75.4%, and in 1918 oil was the source of 81% of the company's income. For the year just finished, while complete reports are not yet available, it is understood that oil production of the company will show a slight decrease. As an official of the company explained it, "it is cheaper to store the oil underground than to drill for it at high prices and find it left on your hands."

This summarizes the two main difficulties of the industry during the past year: prices of materials and labor rose tremendously, while the price of oil was slow in following them. At the same time, transportation difficulties loomed up large before the producers. There developed a shortage in all the agencies of transportation of oil—pipe-lines, tankers and tank cars. The shortage is still continuing because of the congested orders at the steel mills which are preventing them from taking on new business. It is scarcely likely that this situation will be much relieved before the first half of 1920, oil men say.

On the other hand, the public utility end of the business has shown an unexpected recovery, considering that its showing was abnormally poor in the first half of 1919. In the latter half, rate increases for which the company had been fighting for a long time were finally granted, and at the same time some halt was noticeable in the price advances of some of the materials used. This improvement in earnings seems to have been carried on into this year, and is expected to help out materially in maintaining the earnings of the Cities Service Co.

Diversification of the Company's Resources

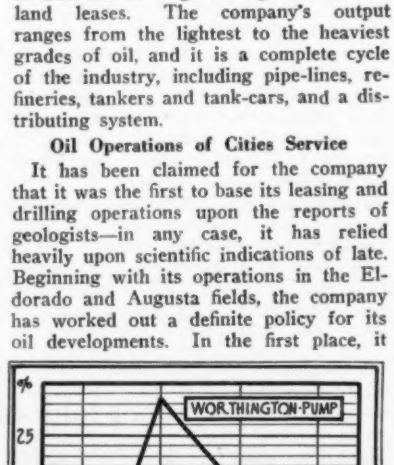
A characteristic of the Cities Service Co.'s property is its distribution among various kinds of enterprises, tending to minimize the fluctuations of earning power. For instance, while the company's artificial gas and traction interests are not as good earners as they were some years ago, its income from power and electricity has gone up. In addition, of course, there are the enhanced receipts from the oil business, which may show an increase in dollars and cents because of the increased price of oil even though the number of barrels produced shows a decline.

The steady increase in earnings of Cities Service is attributable to its operations in oil, as its strictly public utility income shows a decided decrease. The gross business done by its utility subsidiaries, it is to be noted, shows an increase, so that this end of the business may be expected to prove more profitable when prices go down. The increase is most marked in the electric properties of the company, which increased their amount of business done by 150% between 1914 and 1918.

In its strictly oil operations, the same principle of diversification is also carried out. Of the company's 4,000,000 acres, some 2,000,000 are located in Texas and the Mid-Continent, about 18,000 are in Mexico, a tract of 800,000 acres is controlled by the company in the Barco Concession in Colombia, South America, all in addition to large acreages of oil and land leases. The company's output ranges from the lightest to the heaviest grades of oil, and it is a complete cycle of the industry, including pipe-lines, refineries, tankers and tank-cars, and a distributing system.

Oil Operations of Cities Service

It has been claimed for the company that it was the first to base its leasing and drilling operations upon the reports of geologists—in any case, it has relied heavily upon scientific indications of late. Beginning with its operations in the Eldorado and Augusta fields, the company has worked out a definite policy for its oil developments. In the first place, it was recognized that wells gradually become exhausted, so for a producing company to be at all permanent it must be constantly acquiring new acreage. At the same time, it was realized that expensive development and drilling work was not justified if the price of oil was low, and much work has been held up in the past pending higher prices.



Once it has been decided, in view of market conditions and geological indications, to buy or lease certain property, the methods vary. If the land is probable or almost proven oil territory, the company's policy has been to buy in large blocks as much as possible, figuring that if a well drilled on this territory should show good results, the company could take its own time about further drilling, and control the rate of exhaustion to some extent on the principle that the fewer rigs put up to obtain a given amount of oil, the lower the cost of production for that oil. In the case of wildcat territory, however, the company has bought alternate square tracts of land, of smaller average size, in the "checkerboard" arrangement of oil men's parlance. The idea here is that any well that is drilled by some other interest in territory not occupied by the company practically proves up the company's blocks adjacent without the company's assuming the risk of drilling. The drawback here is, however, that if any such well does "come in," the company doing the "checkerboarding" has to drill an offset well on its own territory soon after, or else the pool common to both tracts of land will be drained by the first well, not owned by the company.

As the company owns and has leases on considerable undeveloped territory in the United States, in Kansas, Oklahoma and Texas, where these methods are applicable, as well as large blocks in Mexico and South America, the development of operating policies has been important in connection with the maintenance of earnings. As indicating the possibilities of the Mexican Panuco field, where Mexican Petroleum has much of its holdings, a well was brought in by Cities Service last July with an initial flow of 50,000 barrels a day. It it said by men familiar with the operations of the company that many wells of good productivity have been brought in and then sealed up by dropping in cement, forming a "cap" which will be opened by re-drilling when conditions justify it.

A study of the company's financial and operating statistics gives a bird's-eye view of the broad policies pursued by the company. Between 1916 and 1919 the company's capitalization, in both stocks and bonds, increased from $53,168,426 to $133,934,582, an increase of $80,768,156. In the same period, refining capacity has in-

creased from 30,000 barrels of oil a day to 33,585; the number of tank cars owned and leased from 1,542 to 2,323; the number of distributing stations from 146 to 165, and the oil storage capacity from 3,200,000 barrels of crude to 6,447,541. At the same time net working capital rose from $5,113,534 to $25,933,049.

It is apparent, therefore, that the money raised by the increased capital issues did not go to any great extent into the refining and distributing ends of the oil business. An increase in production from 4,296,808 barrels in 1916 to 17,032,693 in 1918 indicates that much of this money has gone into the purchase of new oil land and drilling. Apparently the idea on which the company has worked is that one can always buy refining and storage equipment, distributing stations and the like, but that the supply of oil land in the United States is limited, and is being greedily snapped up by thousands of oil companies. The time for buying oil land is now. It is obvious that the fact that the company has sunk a good deal of its capital in new lands gives it a flavor of the speculative because of the well-known risks of the producing end of the oil business. On the other hand, the risk decreases relatively as more acreage is bought, because one good producing property will make up for a good deal of fruitless buying, provided the price paid for it is not too high.

The company's holdings in South America are held through 75% stock ownership of the Colombian Petroleum Co., the remainder being held by the Carib Syndicate. Men connected with the Doherty organization are highly optimistic as to the prospects for this property. One of them said that a sample of the oil obtained there was as good as the best grade of Pennsylvania oil, the highest grade in this country, with fully as high a gasoline content.

Much of the company's refining and distributing business is done through the Crew Levick Co. of Pennsylvania, one of the pioneers of the oil industry, all of whose common and preferred stock was purchased by Cities Service in 1916.

Structure of Cities Service

The organization of Cities Service Co. is a highly complex one, including, according to the latest annual report, 63 subsidiary companies, some of which, such as the Empire Gas & Fuel Co., and the Toledo Traction, Light & Power Co., have numerous subsidiaries of their own. Generally, it may be said that the company does a public utility business in 16 States, covering 200 communities, and parts of the Dominion of Canada. Its oil business includes Pennsylvania, the Mid-Continent, California, parts of the Far West, Mexico and Colombia.

The company's finances are rather more complicated than most, as there are three issues now outstanding of debenture bonds, a first preferred, two issues of second preferred, respectively series B and series BB, common stock of $100 par and bankers' shares consisting of units of 1/10 of a share of common stock apiece.

and preferred stock, in the ratio of 4 to 1, 9 to 1, and 9¼ to 9¾, respectively. Naturally, these conversion privileges have considerable value, as the common stock is selling at some 4 times the par value at which conversion is to be effected.

Of the preferred stock, which pays 6%, and is cumulative, $71,792,074 are outstanding, and $3,000,000 of the second preferred, of series B, which has a par value of $10. Of the series BB second preferred, which has a par value of $100, we understand that current financing shows another $3,000,000 outstanding. All of the preferred stocks are cumulative, and all pay 6%. Sufficient preferred stock has been authorized to more than triple the present outstanding issues, as $150,000,000 may be issued of the first preferred, and of the second preferred stocks $40,000,000 and $60,000,000 respectively.

A $50,000,000 issue of the common stock has been authorized, of which $35,613,314 is outstanding. Finding that because of

TABLE I—CITIES SERVICE

Public Utility and Oil Business of Cities Service Electric Traction

	Electric—KW. hours sold	Artificial gas—cu. ft. sold	Passengers carried	Natural gas—cu. ft. sold	Oil produced in barrels
1914	204,579,392	2,103,294,000	108,683,954	29,635,059,000	750,871
1915	261,912,274	2,190,812,000	104,942,440	39,190,340,000	859,621
1916	375,238,611	2,805,984,000	111,192,573	48,651,460,000	4,296,808
1917	406,015,212	3,080,584,000	115,657,669	42,355,746,000	11,675,505
1918	513,714,799	6,112,357,000	109,174,092	46,814,889,000	17,032,693

Of the debenture bonds, series A has been retired. Of the series B bonds there series C there are $17,437,200. As we are outstanding $9,447,250, and of the write, the company is still offering for sale $10,000,000 of the series D debentures yielding 7%, as do the others, and, like them, due in 1966. An interesting feature of these bonds is that they are all available in denominations of $10 or multiples of $10, and in $100 lots, making for a broader investment market.

These bonds are all direct obligations of the company, but are not secured by mortgage. Junior to them are some $350,000,000 worth of stock at current market prices. They are convertible, at varying dates, into stated proportions of common

the prosperity of the company the stock was selling at several times its par value of $100, the company decided to make its securities more accessible to the investing public by depositing $3,000,000 of common stock, or 30,000 shares, of the above amount, with the Bankers' Trust Co., against which 300,000 bankers' shares have been issued. These were offered to the public early last year in two lots at $35 and $37.50 a share.

Earnings and Dividends

Even before Cities Service entered the oil field it had shown consistent expansion and progress. With the new addition to its business, which, as we have seen, has quickly become the overshadowing interest of the company, earnings on the com-

EMPIRE REFINERY AT OKLAHOMA

Cities Service began as a public utility but is now ranked as one or the largest producers of oil in the country, turning out over 17,000,000 barrels in 1918

mon have mounted rapidly, as the attached figures show, although most of the company's financing has been by the issue of securities senior to the common stock. In 1914 interest charges and dividend requirements on the preferred amounted to $1,992,104, or some 49% of the operating income, while the latest available figures, including the recent issue of series D debenture bonds, show these requirements to be $7,069,436, or about 32% of the operating income for 1918. As the amount of common stock outstanding has been increased only from $20,000,000 to $35,613,314 in the same period, its share of the earnings has increased considerably, the jump since 1914 being about 550%.

The first preferred dividends have been paid at the rate of ½% monthly since issue, and similar payments on the preference B stock were begun the first of this year. The present dividend rate on the common is 6% annually in cash, with a monthly stock dividend of 1¼%, beginning February 1 of this year, the rate last year having been 1% monthly. On the bankers' shares monthly dividends are paid at varying rates, because the monthly stock dividend of 1¼% due on each 10 bankers' shares is sold at the prevailing market price and the proceeds added to the cash dividend. Since the initial dividend of 39.6 cents a share last April, payments have varied between 41 and 52.7 cents monthly. With the increase in the stock dividend on the common, the monthly disbursements on the bankers' shares should increase.

At prevailing prices of about 73 the preferred stock yields about 8.2%, which is high for an issue so well secured. Probably the reason for the high yield is that oil securities are not usually considered purely as investments, but the hazard in the case of this company appears to be relatively slight, and we consider it is well worth buying as an investment.

The common stock, paying 6% cash and 15% stock annually, is closely held, and its market is rather inactive. A late quotation reads 413-418, at which price it would yield some 164%. This clearly indicates the speculative features of the common stock. The company has grown so fast that it has not had time to show what it could do through a period of adversity, and being, in respect to its oil business at least, a "war baby," runs the danger of having acquired a good deal of property at prices which may appear inflated within a few years. Much depends, too, on the results of the company's operations in unproven territory, of which it has purchased and leased considerable amounts, lending an additional speculative flavor to the stock.

As to the convertible debenture bonds, great efforts appear to have been made to increase their attractiveness. Not only has the interest rate been made fairly high, and the denominations low enough to reach the smallest investment pocket, but their convertible feature, in view of the current price of the common stock, is of considerable interest.

There are four series of bonds, each of which is convertible into a certain amount of preferred stock and a certain amount of common, conversion being made at par. The common stock is now

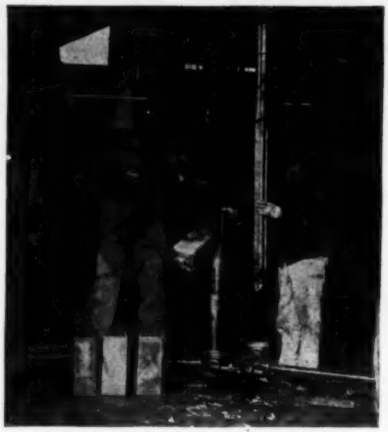


Photo from Underwood & Underwood

PREPARING THE BLAST

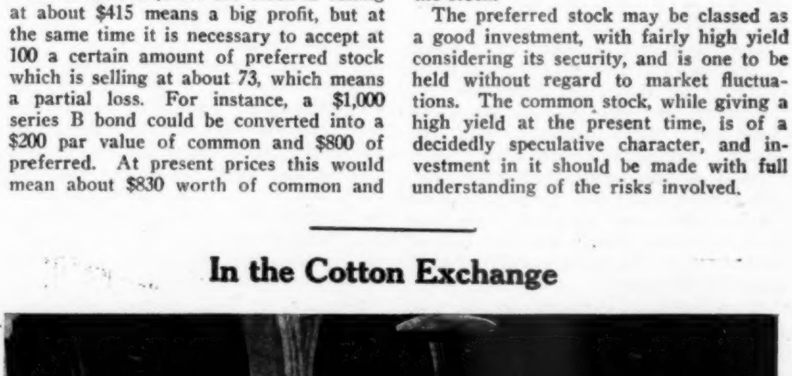
Inserting a charge of nitro-glycerine preparatory to "shooting" a well

selling well above par, and the preferred well below, so the attractiveness of the exchange depends on the relative proportions of common and preferred. It is to be noticed that the time when the conversion privilege becomes effective differs with each issue. Converting into the common at 100 when the stock is selling at about $415 means a big profit, but at the same time it is necessary to accept at 100 a certain amount of preferred stock which is selling at about 73, which means a partial loss. For instance, a $1,000 series B bond could be converted into a $200 par value of common and $800 of preferred. At present prices this would mean about $830 worth of common and $584 of preferred, or $1,514 of stock in all. In fact, the bonds are now selling at 152-157, the slight premium representing the advantage of being able to wait till prices improve on the stock, without sacrificing 7% interest on the bonds.

The convertibility privilege on the B bonds began January 1 of this year, while for the C bonds it begins on January 1, 1921, and for the D bonds on January 1, 1922. As the proportion of common stock for which the bonds are exchangeable is less for these issues, the market profit obtainable is relatively less, particularly as the bondholder who buys with an eye to speculative profits in these issues will have to wait some time to exercise his rights, during which time the stock may fall. The series C bonds are now selling at 102-103, yielding some 6.9%. If conversion privileges could be exercised now, or if market conditions remain the same when the privileges can be used as they are now, one $1,000 series C bond will be worth $415 of common and $657 of preferred, together with dividends accrued on the common between January 1, 1919, and the date of conversion. This would tend to make the series C and the current offerings of series D bonds good investments to yield about 7%, with possibilities of market appreciation of perhaps ten to fifteen points above current prices. They should tend to fluctuate with the stock.

The preferred stock may be classed as a good investment, with fairly high yield considering its security, and is one to be held without regard to market fluctuations. The common stock, while giving a high yield at the present time, is of a decidedly speculative character, and investment in it should be made with full understanding of the risks involved.

In the Cotton Exchange



WHERE COTTON IS KING

A scene in the "pit" of the New York Cotton Exchange. The brokers are seen actively engaged in the buying and selling of cotton

Kennecott Copper Increases Production

Signs of More Active Demand for Metal—A Study in Production Costs—Financing Problems to the Fore—The Braden Properties

By **JAMES GARRISON**

WITH copper prices as low as they are at the present time, one of the most important features of a copper mining corporation is its cost of production. Kennecott has been a remarkable producer in this respect, being one of the lowest cost mining propositions in the world. It is distinctive in that it obtains this result in two ways: by utilizing the immense deposits of high-grade vein ore at Kennecott, Alaska, and by adopting the large-scale methods of the porphyry coppers in working its Braden and Latouche Island ore bodies, whose copper content is figured into the hundredths of a per cent to make any showing at all.

A statement of President Birch some time ago gave the 1918 production cost at about 8 cents a pound, which is sufficiently under the prevailing prices to admit of a fair margin of profit. The only question is how much of its product can be sold. The year 1919 was a very poor one for copper, it is admitted. Slack domestic demand, almost no foreign demand, curtailment of production everywhere, with nevertheless an accumulating surplus of refined copper above ground, prices steadily falling after an encouraging rise—all these factors compelled company after company to suspend or reduce dividends.

At the present time, however, the price of the metal has taken an upward turn again, and heavy demand seems to be in sight. Foreign buying, particularly German, is expected to improve considerably once the Peace Treaty is signed, and the huge surplus will then diminish to a point where full operations at the mines will be available.

There are two variable factors in the cost of production, whose influence may be expected to be shown shortly. One is the high price of silver, and the fact that this metal is largely produced as a by-product of copper. Because of its high price, it tends to cut down production costs, and the more copper is mined the more silver is extracted with it, and correspondingly the more the cost of producing the copper is reduced. On the other hand, the sliding scale of wages at the copper mines provides that for each advance of a specified amount in the market price of copper, the wages of the miners shall be raised a certain amount, thus raising the cost of production in proportion as the market price advances. Thus an increase in the selling price of copper does not increase the margin of profit over the stated cost of production fully, as the cost rises to some extent with it.

Kennecott's Properties

The copper interests of Kennecott consists in the main of four elements: the high-grade Jumbo and Bonanza mines at Kennecott, Alaska; the Beatson mine at Latouche Island, Alaska; the Braden properties near Sewell, in the province of O'Higgins, Chile, and an investment in Utah Copper Co. to the extent of 616,504 shares out of the 1,624,490 of Utah's capitalization.

Ore reserve figures of any great value are not available for the Alaska properties, as it is not considered good mining practice to block out large reserves in mines of this nature, and considerable talk has been going around to the effect that these properties were nearing exhaustion. Some color is lent to these rumors by the action of Kennecott last year in making a capital distribution on the stock for property depletion.

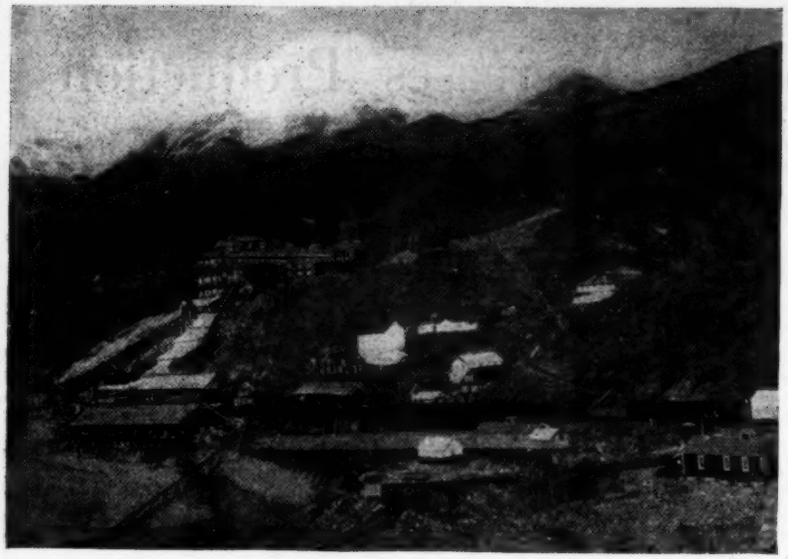
At Kennecott the company has 29 lode mining claims and 14 placer mining claims. In addition, at Latouche, it has 13 lode claims and water rights, mill sites, pipe lines, machinery and buildings. The ore in the Bonanza and Jumbo mines is of high grade, running about 10.20% copper. It also contains large silver values, which help materially in bringing down the net cost.

The Beatson property at Latouche is a low-grade ore, running about 2%, whose product, together with that of the Kennecott mines, is handled by the Tacoma smelter of the company. New ore bodies are still being discovered at the Jumbo and Bonanza mines, but little development work has been done upon them at latest reports.

A recent outgrowth of the Kennecott interests in Alaska is the Mother Lode Coalition Mines, a corporation formed to take over the Mother Lode property adjoining the older mines. Present rate of production is said to be something like 1,000,000 pounds of copper a month, which is a little less than a tenth of the combined production of the Kennecott and Braden mines.

BEATSON COPPER MILL

A scene at Latouche, Alaska, where some of the Kennecott Copper Corporation's high-grade ore is treated—Kennecott's 1918 production cost was about 8 cents a pound



BONANZA MILL AT KENNECOTT

Ore in the Bonanza and Jumbo mines on the Kennecott properties runs as high as 10.20% copper and new ore bodies are being uncovered

Calculations as of Dec. 31, 1918, made by the consulting mining engineer of the company show that the Braden mines have 263,506,356 tons of ore, of an average grade of 2.26%, compared with an estimate for 1917 of 239,192,000 tons, of an average grade of 2.21%. These properties, too, are said to be low cost producers, the 1918 costs having run at about 8 cents a pound. The life of these mines has been estimated at 32 years.

Production

The attached figures of production show that since 1916 the output of copper, and with it of silver, have been declining, partly because of decreased trade demand and partly because of approaching exhaustion of the bodies of ore on the properties at Kennecott and Latouche. Production figures since 1918 are deceptive in that they include the output of Braden mines since October, 1918. Output during 1919 was hindered by sluggish demand, and toward the end of the year by the coal strike.

From the 1918 operating statistics, it would appear that the Alaskan and South American properties of Kennecott furnished roughly equal parts of the corporation's output. Assuming that the same proportion held good this year, it would appear that Braden's ore reserves were but slightly touched.

The Braden properties now have a milling capacity of some 7,500 tons a day, which, it is said, will eventually be increased to about 20,000 tons daily. Braden is a low cost producer, but its costs have been going up with the increase in prices of materials in Chile and with the discount on American dollars in South America.

Other Kennecott Investments

Kennecott also controls through stock ownership the Alaska Steamship Co., operating a fleet of steamers between Puget Sound ports and Alaska, both carrying the company's ores to the Tacoma smelter and doing a general transportation business. Last year the company showed a net profit of $234,077; the year before, $743,024, and in 1916, $1,211,323.

It also controls the Copper River & Northwestern Ry. Co., which runs 196 miles of track between Cordova and Chitina, Alaska, passing through Kennecott. This company, too, has shown a decline in operating revenue for the last two years, the figures being for 1918, $581,329; $1,210,303, and $1,768,671.

The income from the Utah investment was cut this year by the reduction in dividend payments from 8% to 6, and at the same time the market value of its holdings has gone down. The result of investment in another company in the same industry is that when Kennecott is making money, its earnings are still further increased by payments from Utah's dividends, and at the same time the value of its assets rises; when the industry is depressed, exactly the opposite happens. It tends to increase the fluctuations of earnings according to the condition of the industry, intensifying both upward and downward movements.

Vital Figures of Kennecott's History

	Earned per Share	Divs. per Share (incl. Cap. Dist.)	Price of Stock High	Low
1915*..	$2.39	——	59¼	25
1916...	9.92	5.50	64¼	40
1917...	4.14	5.70	50⅛	26
1918...	2.56	4.00	41¼	29
1919...	2.21	2.00	43⅛	27⅝

* 7 mos. ending Dec. 31.

Kennecott Corp., having been incorporated in 1915 to take over the properties of the old Kennecott Mines Co., is not old enough to have made its balance-sheet comparisons of much value. It should be noticed, however, that its valuation of metal on hand as of Dec. 31, 1918, at $2,421,485 seems rather low compared with figures for 1916 and 1915 of $9,648,513 and $7,066,157, respectively. Working capital, according to the latest report, was about $2 a share.

To supplement this fairly small amount an issue of $12,000,000 of notes was privately sold to a group of New York bankers, to run for one year at 6% and sold for slightly under par. In view of the poor condition of the copper industry during the year just past it is expected that this note issue will be renewed. They constitute the only funded debt of the Kennecott Corporation, though Braden, strangely enough for a mining company, is capitalized more through bonds than through stock. In the latest report, Braden bonds were carried at $17,894,000, while stock outstanding, 99% of which is held by Kennecott, amounted to $12,953,530.

Earnings and Dividends

In view of the state of the copper market since the armistice, Kennecott's earnings for last year cannot be considered a fair measure of its earning power when normal conditions are finally established. It is currently said to be earning somewhat above $2 a share, which would provide for its dividend payments, especially as a number of other companies are paying dividends which are not being earned. This compares with $2.56 a share earned in 1918, $4.14 in 1917, and $9.92 in 1916, the banner year of the industry. According to a statement filed with the New York Stock Exchange in its application for listing a recent bond issue, Braden Copper Co. operated at a loss of $244,941 for the first half of 1919, and the final deficit for the period was $538,480, leaving the surplus at $4,497,959.

Kennecott's dividends have always been fairly close to its earnings, for 1918 having been $2 a share, the current rate; for 1917, $3.70, and for 1916, $5.50. In addition, capital distributions were made in 1917 and in 1918 of $2 a share each. Profit and loss surplus shown for the company on its 1918 balance-sheet amounted to $9,999,360, or $3.59 a share.

A few days ago the announcement was made that Kennecott had decided to issue $15,000,000 of 10-year 7% gold bonds, secured by deposit of 500,000 shares of Utah stock, worth at present market prices well over twice the amount of the issue. Utah's stock has no securities ahead of it, and at the lowest price since 1909, of $38 a share, would still amply protect the principal of these bonds. Interest charges have always been covered at least five to six times. The bonds are redeemable as a whole or in part at par and accrued interest, plus 1% premium for every year or part of year between the date of redemption of any bond called and the year of maturity. The bonds at their offered price of 99⅛ yield about 7⅛%, which is fairly high considering the good security behind them. These bonds are to refund $12,000,000 of notes and supply additional working capital.

The stock, of no par value, is outstanding to the extent of 2,787,028 shares out of an authorization of 3,000,000. By exchange of stock it has acquired the Beatson properties, of whose capitalization it

(*Continued on Page 489*)

Prospects of Two Minor Zinc Stocks

Zinc Industry and Prices of Zinc Stocks—Butte & Superior—Interstate Callahan—Is a Switch Into American Zinc Desirable?

By A. C. HAMILTON

A CAREFUL examination of the price fluctuations of the zinc stocks shows that the market prices of zinc securities and conditions in the trade are closely related. This relationship holds for all classes of metal stocks in some form, but it is not so direct or correlated as it is with zinc securities. The reason for its unique character in the case of this metal is to be found in the economics of the industry.

The Zinc Industry

This industry is by all odds one of the most interesting in America. Over-production has been the chronic difficulty, and this ailment has been aggravated by conditions created by the war, right from its inception in 1914. Even under the stress of war necessity there was plenty of zinc, and the demands for this metal in the war program were very large.

For years prior to 1914 this over-production had been known, but the European war had encouraged a large increase in the output of zinc and its finished products, and the entrance of the United States into the struggle furnished a signal to expand production further. In the years 1912 to 1914, inclusive, the average annual output of zinc in this country was around 347,000 short tons. In 1915 production had increased to 489,519 short tons; in 1916, to 667,456 short tons, and in 1917, to 669,573 short tons. In the last two years the output declined, not much in 1918 but a great deal in 1919. Judging by the expansion in the product, the capacity of the zinc industry has about doubled during the war.

The reason for this great expansion lies in the fact that the possibilities for profits in the zinc industry are larger than in any metal industry, and that the mining of ore and its smelting is easy and comparatively cheap. Why should producers therefore hesitate to increase production when all indications point to larger demands? But here is the bane of the whole matter. It harms not only the smelters but also the ore producers. Production soon exceeds consumption, larger stocks pile up, and before very long they become so large that they must be liquidated in whole or in part before the situation corrects itself. This forced liquidation automatically reduces prices of zinc, involving great loss to smelters and also ore producers who sell their ore in the market excepting in a few instances.

During 1915 and 1916 the zinc industry enjoyed unparalleled prosperity, which was clearly indicated in the prices of zinc stocks. In 1917 the industry began to wake up to the fact that it had been too optimistic as to the dimensions of war demands and evidences of too large an expansion in output were beginning to make themselves evident. Zinc stock prices fell off in 1917 and were generally on lower levels in 1918.

The signing of the armistice left the industry "high and dry," and it has been only in the past few months that it started to "float on the sea of improved conditions." Prices of spelter have advanced from around 7 cents at the beginning of the year to about 9.50 cents, and the home demands have expanded somewhat. Exports have increased also, though not very much, and experts are universally of the opinion that no great growth is possible until the exchange rates are brought closer to normal. This improvement in trade conditions has been reflected in an advance in zinc securities. Indications are that the domestic demands for zinc will expand materially and that in time exports will assume larger dimensions. It seems as if the zinc industry is before very much longer due for a period of moderate prosperity.

But the big questions are how long will the prosperity in the zinc industry hold when it comes, and how will a following depression affect zinc securities? These questions can be readily answered by the short statement that with the exception of a few of the better grade securities, zinc stocks are speculative. The chances for profits in market appreciation, and possibly dividends, are large, but the holder of these stocks had better watch the cycles of the industry and liquidate as soon as the period of prosperity is about to wane.

A redeeming feature of the situation is that the ore from which zinc is smelted

TABLE I—BUTTE & SUPERIOR PRODUCTION

	1913	1914	1915	1916	1917	1918	1919
Aver. Assay (Zinc)...	20%	18½%	17%	15½%	15½%	16%	14½%*
Aver. Assay (Sil.)....	10.5 oz.	9.5 oz.	7.6 oz.	6.6 oz.	5.8 oz.	6.3 oz.	4 oz.*
Silver (oz.)..........	2,520,473	2,699,144	3,563,382	3,850,012	2,527,302	2,781,393	......
Zinc (lbs.)...........	102,997,906	108,644,120	165,382,921	183,148,205	131,963,735	139,522,506	......
Lead (lbs.)...........	6,118,887	7,701,371	11,474,168	14,055,668	11,098,051	11,856,951	......

(*) Average of first three-quarters of year.

Photos from Underwood & Underwood.

ZINC PROPERTIES AT MOSCAT

Over-production of zinc was given a new impetus by the war but it is hoped that domestic demand will increase sufficiently to take up the surplus

contains rather large proportions of lead and also smaller amounts of silver, gold and copper. The ores from the Joplin field, in which American Zinc operates, are zinc-lead, ores, but the far-western ores are argentiferous, that is silver bearing. The zinc companies benefit therefore in some degree from prosperity in the lead and silver metal.

Lead is in great demand and the supply is apparently not keeping up with it. Prices have been advanced substantially since the beginning of the year, and the metal is now around 8¾c a pound at New York. As to silver, enough has already been said. Consumption is far behind the output; prices are close to record heights, and the consensus of opinion is that prices will not decline any, if at all, from present levels for some years.

Butte & Superior

Butte & Superior was incorporated in April, 1916, to succeed the Butte & Superior Copper, Ltd. It owns a majority of the capital stocks of Butte-N. Y. Copper Co. and the North Butte Extension Development Co. The company has complete ownership of 29 claims aggregating about 170 acres and owns fractional interests in other claims besides having various properties and surface rights under contract for acquisition. The claims of the Butte-N. Y. Copper Co. did not result in the discovery of any commercial ore bodies and have been abandoned. In June, 1919, the Company secured three claims west of Butte consisting of 60 acres without any cash consideration, the original holders retaining a small interest.

The ore mined from Butte & Superior's properties is a zinc-lead-silver ore. Besides these three metals some copper and gold are also produced. The average assays (metal content per ton of ore) and production of the three principal metals since 1913 are presented in Table I, and the other significant facts in connection with the company are summarized in Table II.

The richness of the ore of Butte & Superior as to silver is a very favorable point for the property under present conditions and its large production of lead is also encouraging. The decline of the richness in the company's ore is quite outstanding, however. The zinc assay is now about 5½% below that in 1913 and the silver close to 4 ounces a ton below the 1913 figure which with silver at $1.32 an ounce would mean a decline of $5.28 a ton of ore mined.

But the mill recovery had aided to correct the failing of nature, and the increasing mill recovery is a sign of the excellent efficiency of the company's metallurgical shell. This enables concentrating larger proportion of the contents of the ore, which, other things remaining unchanged, should cut down operating costs. This apparently did cause a decline in operating costs during 1919.

The amount of ore mined reached its apex in 1916, since when it has been decreasing. Aside from the slackening in the demands for metals, labor difficulties are largely responsible for the sharp decline in 1919. These have finally been adjusted, but labor is stated to be not only uncomprising but highly inefficient. Still production in finished metals is holding up comparatively well, because of the great improvement in the mill recovery. It is stated that at present ore and metal production are running at very high figures.

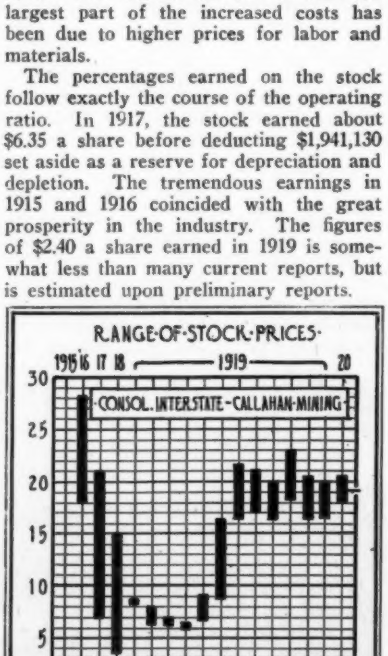
Another interesting feature shown by Table II is the almost uninterrupted advance in operating costs, which have been at the mines as well as in milling. Butte & Superior does not do its own smelting but contracts its ore output. The ratio of operating expenses to net sales follows the course of net sales more closely than the operating costs per ton, and in fact there appears to be no marked correlation between the percentage of mill recovery, total operating costs per ton and the ratio of operating expenses to net sales. The reason for this is that the largest part of the increased costs has been due to higher prices for labor and materials.

TABLE II—BUTTE & SUPERIOR OPERATIONS

	Ore Mined	% Recovery (Mill)	Total Operating Costs Per Ton	Total Rates of Operating Exp. Net Sales	Earned on Stock Per Share
1913.........	293,706	86.43%	$5,640	64.21%	$3.47
1914.........	326,626	88.71	5,856	54.72	5.21
1915.........	522,949	92.21	5,768	24.93	33.37
1916.........	626,803	93.10	6,933	33.08	31.79
1917.........	462,744	91.13	9,458	56.62	.94*
1918.........	462,577	92.97	11,338	83.56	2.17
1919.........	267,505‡	Av. 96.30‡	Av. 9.87‡	87.00‡	2.40†

* $6.35 a share before deducting $1,941,130 reserve for depreciation and depletion.
‡ First three quarters of year.
† Estimated on basis of available information, official and unofficial.

The percentages earned on the stock follow exactly the course of the operating ratio. In 1917, the stock earned about $6.35 a share before deducting $1,941,130 set aside as a reserve for depreciation and depletion. The tremendous earnings in 1915 and 1916 coincided with the great prosperity in the industry. The figures of $2.40 a share earned in 1919 is somewhat less than many current reports, but is estimated upon preliminary reports.



Law Suits and Dividends

But Butte & Superior has had to encounter not only the ordinary difficulties that zinc companies are subjected to, but also legal litigation. The various suits in which the property has been involved have tended to slow down development work, which only recently has been resumed on a large scale.

The two large suits, the Elm Orlu involving infringement of minerals rights and Minerals Separation patents case have been decided, both adversely to the company. As far as the present and future operations are concerned, there is, however, no liability attaching to the company. The Elm Orlu case has been settled by Butte & Superior paying $177,707 damages for ore taken from one section of the Black Rock claim, and regarding the other section two-thirds of the disputed property was awarded to Butte & Superior, after the company paid $2,500,000 in cash to the Clark-Montana Realty Co. for ore illegally extracted from their ground. The effects of this loss have been largely offset by developments on the properties retained.

In accordance with the decision of the U. S. Supreme Court the company has filed a statement to pay $451,000 to Minerals Separation Co., Ltd. Butte & Superior is now receiving the full benefits of the minerals separation process, but is complying with the law by using more than 1% of oil. By November, 1923, the minerals separation process becomes public property. The actual amount that Butte & Superior will have to pay in damages is difficult to state definitely, but it will hardly be as large as the Minerals Separation authorities claim, namely, more than $10,000,000.

The company at the end of 1918 had cash amounting to $1,549,783 and liberty bonds and war savings stamps $827,249, so that it could pay the $451,000 to Minerals Separation without any difficulty. This would enable the company to go ahead without any legal hindrance.

The management acted very conservatively in discontinuing dividends in 1917. Net earnings were impounded pending settlement of the Minerals Separation case, but are now free. The 1918 report stated that in view of the then existing metal market conditions and the legal litigation the directors deemed it wise to defer dividends. Butte & Superior paid remarkably large dividends from 1914 to 1917; $2.25 in 1914; $3 and $15 extra in 1915; $4 and $30 extra in 1916 and $5.40 in 1917.

Until the Minerals Separation difficulty is finally settled, no dividends would be

justified even if earnings warranted, and the 1919 showing certaining does not indicate early disbursements. Those who are looking for quick dividends will be disappointed in Butte & Superior, but those who hold it until real prosperity visits the non-ferrous metal trades will find themselves well rewarded through market appreciation. The present quotation is around 27½. Vol. 25, Pg. 426.

Interstate Callahan

This property was incorporated in June, 1912, with a charter for 25 years as a combination of the Interstate Silver-Lead Mining and Callahan Mining. The authorized capitalization consists of $5,000,000 stock of par $10. The 500,000 shares were divided equally between the two companies for their assets. Subsequently 80,000 shares were returned to the Treasury by each company.

TABLE III—INTERSTATE CALLAHAN PRODUCTION

	1919*	1918
Silver	450,000	203,000
Lead	25,000,000	12,098,429
Zinc	50,000,000	40,891,881

* President's estimate, Oct., 1919.

The properties, consisting of patented and unpatented claims, aggregate 1,250 acres located in the Shoshone County, Idaho. The unpatented claims will become patented as soon as the mining law is complied with. The consolidated companies acquired full control of the Nipsic Mining Co., Ltd., a silver-lead mine, and a controlling interest in three other properties.

The equipment consists of a saw mill and an oil flotation plant, the latter of which was installed during 1917, aside from smaller necessary implements and machinery. The contract with the Minerals Separation Company, Ltd., for use of its patents, was consummated in 1917. An addition to the company's plants with the flotation process will enable a greater recovery in silver-lead ores and the mill has been much improved. It is stated very optimistically that this improvement should add $1,000,000 to income by resulting in and 600,000 ounces of silver annually, about double the average production of the past four years.

While Interstate Callahan is quite an old property, there is very little comparative data available regarding it. The production and income statistics are for the following periods: Year ended June 30, 1915 and 1916; 18 months ended December 31, 1917, and year ended December 31, 1918. Among the production statistics the mill recovery is not given. The ore milled in 1918 was 69,002 tons and 95,363 tons mined. The ore is a silver-lead-zinc ore, and produces each of the three metals. The 1918 and 1919 productions are given in Table III. The sharp increase in the 1919 lead and silver output is undoubtedly due to the improved metallurgical methods described above, but it is rather hard on account for the failure of the zinc output to expand also.

In March, 1919, the mines were closed down because of the dulness in the non-ferrous metal markets, but it is stated that *developments were continued with the result that Interstate Callahan made the most important strike in its history.*

Regarding this strike the President stated in a letter to stockholders as of October 15, 1919: "This ore body is east of the fault that cuts the vein, and the ore is identical with the big shoot that has made the mine one of the largest producers of zinc-lead in the United States, being ranked third in this country in point of production. When the ore was encountered the vein was two feet wide, and further development has opened up the ore for a distance of 300 feet, with a width of nine feet, and the face of the workings is still in this high-grade ore. Already the opening up of this new ore body has added a year's ore supply to the heretofore known large ore reserves of this great zinc-lead producer, which is being reflected in the increased strength of the stock marketwise."

The making of strikes appears to be a perennial phenomenon of Interstate Callahan's portion of nature. In October, 1919, operations were resumed and shipments since are stated to have been at high figures. Exact statistics are not as yet available.

Milling or mining costs per ton are not given, and aside from a statement of current assets and liabilities, the balance sheet is bare. The interesting part of the income account is the relation between the rates earned on the stock and dividends paid. These are summarized in Table IV.

This record is certainly not very conservative for a mining company that is as yet far from seasoned. In 1916 the deficit after dividends was $154,439; in 1917, $231,568, and in 1918, $195,933, the surplus being drawn down to pay dividends. The money would have done more good in the property, for it needs it. Still, the president in a letter to stockholders says that "with our present contracts, and upon the basis of shipments, we feel justified in predicting a return to dividend payments in the not distant future."

TABLE IV—INTERSTATE CALLAHAN EARNINGS AND DIVIDENDS

	Earned on Stock	Dividends Paid Per Share
June 30, 1915	$3.22	$2.75*
June 30, 1916	6.67	6.00
18 months, Dec., 1917	5.00	2.00
Dec. 31, 1918	.31	1.75
Total	$15.20	$12.50

* One-half of 1915 total dividend.

The handling of the current assets account have also not been remarkably conservative. At the end of 1918, cash amounted to $30,705, compared with $252,542 as of December 31, 1917. Net current assets as of December 31, 1918, working capital amounted to $254,552, but among current assets an item of $236,103 for investments was included for the first time. These consist of $198,953 capital stock, investments which *may* be readily liquidated, and $27,150 Liberty bonds. If the first of these is omitted, the net working capital is about $56,000.

In October, 1918, the ten-year contract with the American Metal Co. for Callahan ore was cancelled. From the fall of 1916 until then the company delivered nearly all of its product to American Metal to be smelted, average monthly shipments amounting to 6,000 tons.

American Metal, upon cancellation of the contract, returned 145,097 shares of stock of Callahan, which went into its Treasury. Of the 160,000 shares turned back into the Treasury by the two companies forming the consolidated property, all but 35,000 shares remained unsold. In addition to the 145,097 shares returned by the American Metal Co., Interstate Callahan purchased 21,590 shares owned by individual stockholders of American Metal at $9 a share. At present there are 319,893 shares outstanding, and 180,107 shares in the Treasury.

But to add to the interest, Mr. Percival, president, announced in a letter to stockholders around July 8, 1919, that arrangements had been closed with New York financial interests to provide strong market sponsorship for the stock, and to accomplish this directors and the larger holders have escrowed their personal holdings amounting to 120,000 shares for one year. The letter explains further that, with the supply of marketable stock reduced by 40%, shareholders would have a broader market at prices more in keeping with the physical condition of the company and the shares would have a recognized value when used as collateral security.

Why any company should have to eschew any part of its stock to make the public and banks appreciate its value is difficult to see, and the whole matter smacks somewhat of stock market manipulation. The great advance in the stock in June and July, and keeping it there on a level about twice as high as it sold early in 1919, might not have been possible with all the shares outstanding, and is certainly due in some measure to this escrowing of about 40% of the outstanding stock. Of course, the strike of new ore also helped the advance.

The writer's conclusion as to Interstate Callahan is that it will undoubtedly advance with the rest of the zinc stocks when trade conditions in the non-ferrous metals improve to nearer normal, and perhaps there may also be some stock market manipulation which will send prices higher. Until the property has shown its capacity as a seasoned earner, however, the holder who has profits had better take them, and a switch into American Zinc, Lead and Smelting common would in time show good results. Interstate Callahan is now quoted around 19 and American Zinc common, 19⅞.

Truth never yet fell dead in the streets; it has such affinity with the soul of man; the seed, however broadcast, will catch somewhere and produce its hundredfold.—Theodore Parker.

"Let every man be occupied, and occupied in the employment of which his nature is capable, and die with the consciousness that he has done his best."—Sydney Smith.

Pennsylvania Coal & Coke Advancing Steadily

Earnings Have Grown Substantially in Last Three Years—Outlook Appears Good, But Depends Upon Coal Market

AFFAIRS of the Pennsylvania Coal & Coke Company continue the steady improvement which began with the organization of the present company in 1911. Earnings available for dividends amounted to $793,655 in 1917 and $827,994 in 1918, and it is expected that the returns for 1919 will approximate those of the previous year as closely as could be expected considering the factors which have tended to restrict production and hold down prices.

The formation of the present company followed the foreclosure of the original Pennsylvania Coal & Coke Co., which was formed in Pennsylvania in 1902. The old company owned or controlled some 117,000 acres of coal and surface lands, and in its day was listed among the largest producers of soft coal and coke in the bituminous fields of the East.

Troubles of the old Pennsylvania Coal & Coke Company were largely due to an unwieldy financial structure. The liabilities of the company included $4,387,000 preferred stock, $4,020,000 common, $6,771,000 underlying bonds and an issue of $5,854,500 consolidated 5% bonds, besides $186,718 car trust certificates and some $27,690 purchase money obligations—a total of over $21,000,000.

Other factors contributing to the ultimate demise of the Pennsylvania Coal & Coke included the low prices prevailing for coal during practically the entire nine years of its existence.

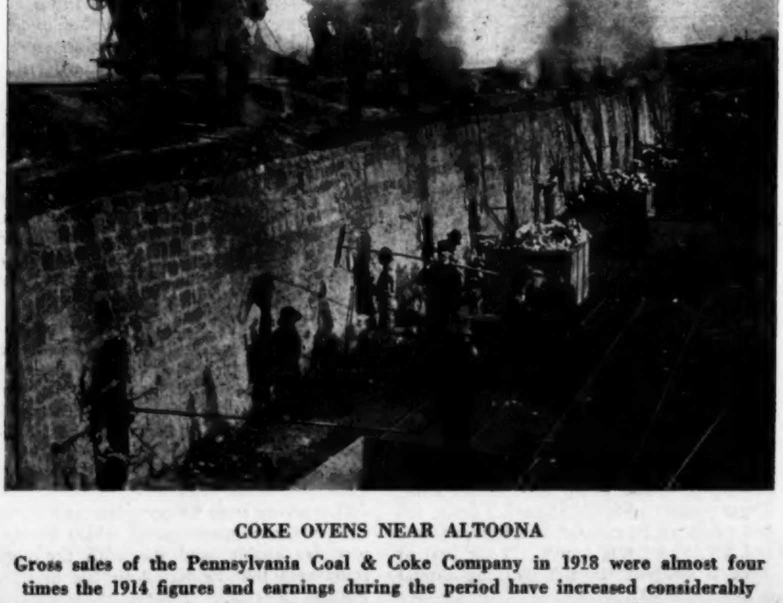
The struggles of the original company came to an end in 1911 when T. H. Watkins, president of the present company, was appointed receiver.

Reorganization of Old Company

Under the reorganization plan the stockholders of the old Pennsylvania Coal & Coke Company lost their money, the new capital being diverted entirely to the holders of the consolidated 5% bonds, a committee for which had been formed. Plan of reorganization called for the authorizing of 150,000 shares of new company stock, par value $50, which were distributed pro rata among the old bondholders in exchange for their bonds. An assessment of 12½% was levied upon the bondholders as a means of raising working capital. Including this assessment and moneys derived from subsequent property sales, the new company was enabled to start business with a working capital of more than $1,000,000.

The reorganization gave the old bondholders 22½ shares in new stock for every $1,000 face value of bonds, counting in an extra 2½ shares given in exchange for the $125 assessment.

The chief effect of the reorganization was to scale down the capitalization of the company from the $21,000,000, referred to above, to $7,500,000—a sum much more in keeping with the company's powers as later events proved.



COKE OVENS NEAR ALTOONA

Gross sales of the Pennsylvania Coal & Coke Company in 1918 were almost four times the 1914 figures and earnings during the period have increased considerably

Financial obligations of the old company were met through the sale of its properties to the Clearfield Bituminous Coal Corporation, a sufficient sum being raised thereby to discharge all the obligations of the receiver and leave a tidy sum to go towards working capital of the new company in addition.

The properties of the present Pennsylvania Coal & Coke Co. include about 60,000 acres leased from the Clearfield Bituminous Coal Corporation, of which 47,000 acres are held in fee and about 13,000 in leasehold. The original agreement called for an annual rental of $375,000, a royalty of 10 cents a ton on coal mined from the land held in fee and another of 2 cents a ton for coal mined from land held by leasehold for all leasehold tonnage exceeding 1,500,000 tons annually.

Pennsylvania Coal and Coke Corporation
Five Years' Results

Year	Gross Sales	Oper. Exp.	Surplus †
1914...	$2,901,665	$2,861,457	$10,817*
1915...	2,961,900	2,928,760	80,139
1916...	4,454,349	4,272,674	156,736
1917...	8,811,111	6,221,497	546,874
1918...	10,539,656	8,177,562	180,196

† After miscellaneous deductions, depreciation and dividends, if any.
* Deficit.

Terms of the foregoing agreement were modified later, the Pennsylvania Coal & Coke Co. giving up leasehold rights to about 17,000 acres of land and about 2,600 acres of surface land, besides relinquishing control of a line known as the Hooverhurst & Southwestern R. R. Co. Also the minimum rental was reduced to $225,000 a year.

In addition to these rights in the old company's properties, the Pennsylvania Co. has also purchased or leased additional coal lands adjoining its holdings. The policy has been to acquire lands in fee wherever prices were reasonable enough to justify such action. Most recent estimate available gives $309,459 as the sum spent for such acquisitions, including coal rights to 1,966 acres, besides surface lands and lots for improvement.

The properties of the company owned in fee are estimated to contain around 16,000,000 tons in available coal, and those controlled by lease of all the coal in the ground approximately 148,000,000 tons, totaling 164,000,000 tons, or about 50 years life at present rate of production, which has been as follows (in net tons):

1914..................	2,566,474
1915..................	2,651,865
1916..................	3,238,511
1917..................	3,288,440
1918..................	3,412,558

The growth of the Pennsylvania Coal & Coke Corp. since the reorganization has been rapid, especially when the difficulties

which beset the old concern are considered. Gross sales in 1918 amounted to $10,539,656, compared with $8,811,111 in 1917 and $2,901,665 in 1914.

Operating expenses, although they have kept on a pretty even keel in recent years have nevertheless been considerably reduced from the 1914 figures. Such expenses in 1914 amounted to $2,861,457, or approximately 98% of gross sales income; whereas, in 1918 they amounted to $8,177,562, or less than 80% of gross sales.

The figures comparing operating expenses of the company, gross sales and net earnings for the period from 1914 to 1918, inclusive, are given in the table herewith.

The corporation has pursued a generous dividend policy since the reorganization, paying $2 a share in 1917, $5.25 in 1918 and quarterly dividends of $1 each in 1919. Comparatively large dividends have been in the nature of a reward to the present stockholders—formerly the 5% consolidated bondholders—who watched the company through many years of hardship before they received any return. It is not thought that the payments made are out of proportion with the company's earning capacity.

The future of the Pennsylvania Coal & Coke Corp. is of course bound up with the coal market. Close observers of this market believe that a substantial turn for the better is due in 1920 and are generally optimistic concerning the future of the producing companies. Production in 1919, owing largely to labor troubles and similar passing factors, was considerably below that of the previous year, but it is not believed that similar hardships will present themselves during 1920. Prices are also stabilizing gradually and a cooperative policy in Washington will, it is believed, assure price levels in the coming months that will enable producers to make good profits on their production.

The stock of the Pennsylvania Coal & Coke Corp., consisting of an authorized $7,500,000 capital stock of par value $50, and no bonds, of which $6,169,500 is selling over-the-counter at present around $32 a share. At that level, considering the high yield and good prospects of the company, the stock appears quite attractive.

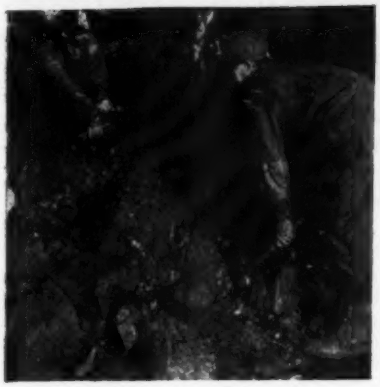


Photo from Underwood & Underwood

MINERS AT THEIR TASK

Production of coal in 1919 was seriously hampered by labor troubles

Demand for Silver Is Enormous and World Is Hungry for the White Metal

AFTER years of lethargy, caused by the low price of their product, miners of silver not only in the United States and Mexico, but throughout the world, are now facing an era of unprecedented and unlimited prosperity, which spells untold wealth in the years to come for the fortunate owners of silver properties. Roughly estimated, there are today thirty billions of unbacked paper money in circulation, and an Oriental trade that is growing by leaps and bounds, for which silver must be found. Silver is needed to redeem the vast quantities of the paper money of Europe, and silver to pay the Oriental countries for a trade balance which has enormously expanded. Truly, the once all-but despised white metal is coming into its own.

The quantity of silver in sight today is sadly inadequate to meet the world's demands, and even should the price of the metal reach the impossible sum of ten dollars an ounce, all the metal in the vaults of all the banks in the world, not to mention the government treasuries and silversmiths, would not be enough to redeem the unsecured paper issues of so-called money, which stands today, practically valueless in international trade, and is fast losing what little value it at one time possessed in the countries of its issue. All this, while China and India and other Oriental countries are selling vastly more goods than in former years at prices much larger per unit, and demand payment for their goods in an almost ceaseless stream of silver.

These Oriental countries have always been the largest markets for our silver. Before the war this supply was bought through London, but since the great conflict, much of the supply has been purchased in New York. These markets are today prepared to absorb all the silver that can be produced, and the Indian and Chinese exporters are constantly adding to the balances due them from the merchants of the Occident.

In addition to this, if exchanges are to be restored to anything approximating normal, the unsecured, or unbacked paper money issues of Europe must be validated. Enough silver cannot be mined in years to validate these issues.

Commenting on the present situation, and the constantly rising market for silver, one financial authority said recently:

"It is no longer possible for any of the world's nations to buy silver for coinage, except the United States, unless they debase their standard coins, instituting a new system in which the coins will contain so little of the white metal that it will not be profitable to melt them."

Thus the great and growing demand for silver will make possible the realization of the wildest dreams of riches ever dreamed by the miners of silver in the United States, as this country and Mexico together, supply nearly three quarters of the world's entire production of the metal.

WARNS AGAINST REVERSAL OF EUROPEAN BUYING

Albert Strauss Advises Business Men to Watch Foreign Competitors

"At some point of time, which it is impossible to predict, the more acute demands of Europe will be satisfied, and instead of buying regardless of price and to the full extent of available credits, Europe will scan prices and will be able to pick its markets. When that time comes, we may find a very sudden and abrupt reversal of the present conditions, not only in regard to prices, but also in regard to credit. It is important that these conditions receive due consideration by the business community, as their effect is likely to be far reaching, and they may make themselves felt without much warning."

Kennecott Copper Increases Production

(Continued from Page 484)

holds over 90%, the Braden mines and the Utah stock.

The Braden bonds are 15-year gold sinking fund issues, due Feb. 1, 1931, and paying 6%. They are secured by a first lien on the Braden mines by deposit of all securities representing ownership. The sinking fund is required to apply annually $1,333,332, either by tender at 105 or below, or by call at that figure. At this rate it is estimated that all but $2,022,000 of the issue will have been retired by maturity. Incidentally, of course, fixed charges will be constantly diminishing up to that time. Last August, the Bankers Trust Co., acting as trustee, called in $677,390 of the bonds.

At current prices of about 94 the bonds yield about 6.8%, which, considering their good security, is fairly high. They are regarded as a desirable investment at these levels, and may improve in price if fears as to their margin of safety are removed by increased earnings resulting from a better market. The surplus of the company is in sufficiently good position to permit interest payments for over three years at the worst.

Kennecott stock, now selling at about 32, yields about 6.2%, and has just passed through one of the worst periods the copper industry has known. It is unlikely that any further dividend reduction will take place, and with the development of the properties and improvement in copper market conditions, it is possible that an increase in earnings may be reflected in distributions to stockholders. The outlook for the stock, we believe, is good, as favorable future factors have not yet been discontinued. Vol. 25, Pg. 325.

Possibilities in the Jerome Camp

Continuation of Previous Survey of This Field—Gadsden, Dundee-Arizona, Copper Chief and Others—Indications of Jerome's "Little Coppers" That Help to Check Up Conclusions

(Prepared from the Reports of Our Special Representative)

GOING back to the map published in our December 27, 1919, issue, the big acreage of the Gadsden Copper Company totalling about 35 claims on an area of roughly 760 acres stand out prominently. This property is south east of the "big Verdes" and sidelines the southern boundary of the United Verde Extension, which is not however the richest portion of that property. The big wealth has come from the Daisy and Edith shafts of the larger properties which, as will be seen from the map, are some distance from the Gadsden. However, the newcomer has apparently shown up well and control passed in 1917 to the Calumet & Arizona Mining Company, an important company that also controls the now famous New Cornelia mine: the latter particularly celebrated for its long estimated life and remarkably low costs in production.

Calumet & Arizona exercised an option on 700,000 Gadsden shares out of an authorized issue of 1,000,000 of $1 par value. It is believed that the Gadsden group is along the strike of the Great Fault made some years ago. On this property a 1,200-foot shaft has been sunk and cross-cuts have been driven in two directions. One of these (the southwestern exploration) intercepted, as engineers believe, the Great Fault: openings in various directions have revealed the presence of native copper and sulphides but not yet in commercial quantities. It is intended to go further with development work by sinking the main shaft still deeper, and then thoroughly explore the ground below the "fault."

Work on the Gadsden property has proved much but in a practical way it does not mean so much as yet. That the ground is "mineralized" is beyond doubt, and the only question is "Will Gadsden be worth while as a commercial copper proposition?"

Indications thus far are favorable. C. & A. is a good judge of a property: its acquisition of New Cornelia was a wonderful sample of good judgment: and its engineers are very highly rated in the mining world. They have sufficient faith in Gadsden to "carry on" and the reader will guess that the property only needs development apparently to become another profitable subsidiary to the parent company. Of course, allowance should be made, even for the mistakes of mining engineers.

Gadsden sells on the N. Y. Curb fluctuating recently between 3 and 4, and is inactive.

Dundee-Arizona

The little Dundee-Arizona property wedged between the Extension and Jerome Verde properties has given fair indications. The company is only capitalized for $500,000 in $1 shares of which about one-half were held by F. S. Stephen and Alex. Mackay its former owners. This is also a small property comprising two claims, and it also owns a fifty-fifty interest with the big Extension in the Jerome Tunnel Company in a small block of claims and tunnel rights, acquired for better working conditions and development. This company at last report was mining and shipping ore that netted about $20 a ton, although I doubt if it is doing much at present. There is a shaft down to about 500 feet, and 220 foot tunnel and some underground workings on the property and development have been proceeding in a modest way.

The shares are rightly listed as "a prospect" on the N. Y. Curb, and are inactive at under $1. There is no interest in the stock although at times there are spasmodic bursts of trading. Dundee-Arizona is merely further circumstantial evidence of the character of the camp.

Hull Copper

Hull Copper has been a storm center in the district for years due to the litigation between minority stockholders and George W. Hull, the late owner: and it will do no good to recite the details. The property is the most heavily capitalized of the smaller properties for $10,000,000 in $1 shares, out of which over 7,500,000 were held by Hull's Estate. This property, comprising 21 claims on 249 acres, is very fully developed and has been reported as showing 21 orebodies carrying some oxides, but mainly sulphides. It has been thought that these orebodies are a continuation of those found in its neighbor, the United Verde Extension. A comprehensive system of tunnelling and shafting is shown on this and the adjoining property, the Cleopatra, and it seems as if the constant bickering between the late holder and his minority partners has been responsible for retarding development. Through its Dillon Tunnel the company has been carrying on mining operations at the very door of the big Extension property, and it is a mystery why the property has not advanced further in a commercial way.

The shares are traded in periodically on the N. Y. Curb at between 30 and 50 cents a share, and for the reasons stated have no rosy prospects of advancing.

Copper Chief

Copper Chief Mining Company helps to establish the extent of the mineralization of the entire district. It will be observed that the property is at the extreme south of the group. It is controlled by the Hayden Development Company of Jerome and their associates. Northeast of this property is a block of claims belonging to Mr. Clark owner of the "big Verde." The property is 3½ miles south-east of Jerome, and both have the Copper Chief-Iron King orebodies which have copper-silver-gold values averaging about $10 to the ton. It may show up well ultimately with further development.

Calumet-Jerome

The Calumet-Jerome about half a mile south of the United Verde and adjoining the Cleopatra has given some good indications but it is evident that in the early stages of promotion and development the company was "hard up" and its publicity experts were a trifle too zealous in giving out rather premature and too hopeful reports. These probably stimulated stock sales as the shares sold around 2 about that time. Since then they have become dormant on the N. Y. Curb around a few cents. However, it has some prospects and it is to be hoped that the end will justify the means.

Green Monster is another property that has been worked spasmodically and like others has been "industriously lied about" and it is difficult to appraise the exaggerated reports that emanated from obviously inspired sources at one time. We recall that it had a little brother called "Monster Chief" promoted by a well known, if not notorious, Curb operator who has since found it expedient to go more slowly on the promotion end. We doubt if these two properties have much merit beyond some mineralization of no great importance.

The Coming Jerome

Properties like United Verde and United Verde Extension are not found or made in a decade. They have made the camp famous and others are apparently coming along in good shape that will help to advance its prestige, notably Jerome Verde, Gadsden and Copper Chief. It is better to be neutral on the remainder as the indications are not sufficiently strong to justify an opinion.

The "little Jeromes" mentioned are all under able management and their sponsors seem to have faith in the future. It would be futile to guess what a speculation in these would show a few years hence as there are other factors besides plain mining that enter into market movements in low-priced stocks of this character. For those who have the means and can afford to tie up money for a long pull—the pull might not be quite so long as a good many are led to believe.

We expect to see United Verde Extension exceed its former high levels when copper conditions are right.

Jerome Verde should also advance substantially, when those interested in freezing out the smaller stockholders are through.

South America As An Oil Producer

Many American Companies Locating in Southern Continent—Standard Oil Web Long Established—Lobitos Oilfields and Tropical Oil Among the Proven Properties

SINCE our last article on South America as an oil producer was written, we have been informed that development work in the new holdings recently established there has proceeded with great rapidity and, in many cases, with remarkably good results.

An interest in close touch with the affairs of the General Asphalt Company recently said to the writer: "I have been talking with a friend of mine who just returned from the south. He says that developments in the Maracaibo Basin in the last thirty days have been positively amazing."

The Lake Maracaibo Basin, lying in the northwestern part of Venezuela, covers an area of 30,000 square miles. A mountain range surrounds it on all sides except the north, which fronts on the Caribbean Sea. The lake extends 200 miles to the south, and is navigable to small ocean-going steamers, giving access to the entire region.

Allowing for the natural enthusiasm and exaggeration which attends all new discoveries in mineral resources, the fact seems clear that the rich lands of the south have given indications of oil content on a very large scale. The exploitation of these lands and, incidentally, the opening up of a much needed new oil supply for the United States and the civilized world, seems now only a matter of time. As soon as transportation and refinery facilities can be obtained, high grade oil in copious quantities can be expected to start running to market. According to every reliable indication, the oil is there waiting to be taken out.

The *Petroleum World*, which has spoken authoritatively on matters of interest to the oil world for many years, has this to say about South America as an oil producer:

"That South America will, in the course of time, occupy a prominent position among the petroleum producing regions is a conceded probability among those who have been in touch with the situation there, and it would not come as a great surprise if new oil fields should be discovered in any one of several South American countries where there is every surface indication of extensive petroleum deposits. The presence there of oil in large quantities has been long suspected, and the fact that several of the largest American and foreign companies have been leasing enormous acreages in Brazil, Colombia and other countries, representing an investment of many millions, is of significance and indicates, not so much their faith in the possibilities for oil as a reasonably sure knowledge of the location of deposits."

In attempting to review the holdings, financial structure, and possibilities of the more important American companies installed in South America it will manifestly not be possible to go into much detail. At the same time, comparatively little publicity has been given, up to the present time, to these companies, and even a brief resumé of the more important features relating to them should be of interest to investors.

Venezuelan Oil Companies Multiplying

The number of companies already installed in Venezuela is large and steadily increasing. Among the more recent organizations formed with holdings and concessions in this country is the Maracaibo Oil Exploration Company. This concern was formed by a group of prominent New York capitalists, including Percy Rockefeller, E. C. Converse, Charles H. Sabin, William E. Corey and Henry Lockhart, Jr., to take over and develop 750,000 acres of land. Properties selected were chosen, it is stated, by geologists who have been working in the region for a number of years. They include 334,200 acres in Perija, already taken up, with 125,000 acres under option; 262,500 acres taken up in the districts of Mara and Paez, with 1,250 acres under option; 111,050 acres in the district of Miranda, 50,000 acres in the State of Falcon, with 250 acres under option, and 300 hectares (741 acres) in the District of Sucres.

It is understood that plans for the development of the Maracaibo Corporation's properties are being actively pushed. The company contemplates an investment of $2,000,000 in the construction of refineries, pipe lines, etc., and there is talk that it will establish a regular line of tank ships to operate between Maracaibo and New York.

So far as is known, the Maracaibo Oil Exploration Co. is not yet producing oil. Its future is obscured, moreover, by the uncertainties surrounding all undeveloped oil properties. However, the company has the backing of powerful interests, its properties are, in some cases, adjoining proven lands of great productive capacity, and so it may fairly be said to possess great inherent possibilities. The company is capitalized with 250,000 shares, of no par value, and has no bonds or preferred stock. The stock at this writing is selling around $21 a share, and at that figure may be classed as a speculation for a long pull, with good chances of a considerable advance when production at the properties gets under way.

TWELVE LEADING SOUTH AMERICAN OIL COMPANIES

Company	Auth. common stock in shares	Par value	Location of important holdings	Stock price
Maracaibo	250,000†	None	Venezuela	$26
Tropical Oil	2,000,000†	$25	Colombia	20
Transcontinental	2,000,000†	None	Colombia and Venezuela	37
Royal Dutch	1,000,000	1,000 fl.	Venezuela	100
General Asphalt	189,463	$100	Venezuela and Trinidad	110
Carib Syndicate	800,000†	$25	Colombia and Venezuela	50
Inter. Petroleum	1,253,401	£1	Peru and Chile	71
Island Oil	$39,500,000‡	$10	Colombia and Venezuela	7
Lobitos	£400,000	£5	Peru	90s.
Sinclair Cons	5,500,000	None	Colombia	43
Emerald Oil*	....	.....	Colombia	...
Boone Oil	400,000	$5	Colombia	6¾

***Negotiations pending subject to satisfactory title for the acquirement of oil and gas rights subject to one-eighth royalty, covering 1,500,000 acres of privately owned land in Colombia, including one-tenth ownership in the stock of the company owning the fee. Financial organization not yet announced, but it is expected company will authorize $3,000,000 7% cumulative preferred, par value $100, and $3,000,000 common, par $25.**

†No bonds or preferred stock.

‡Common authorized, $30,000,000; outstanding, $22,500,000, par value $10; 1st lien 7s authorized and outstanding, $4,500,000, and 10-year debenture 6s $5,000,000 authorized and outstanding.

The Royal Dutch-Shell oil group and the General Asphalt Co. are also listed among the companies with American interests who are developing properties in Venezuela on a large scale. Local brokers, who have been following the situation in General Asphalt very closely, understand that this company owns an interest, through the Burlington Investment Company, in an area of oil-bearing land in Venezuela of about 12,000 square miles, and perhaps more. General Asphalt has additional large holdings in Trinidad. The magnitude of its prop-

erties gives a hint of its possibilities as an oil producer; and, together with the belief that a community of interest exists between General Asphalt and Royal Dutch-Shell, calls forth the following comment from the brokers quoted above: "General Asphalt appears as an associate in the development of what is undoubtedly the greatest as yet undeveloped oil field in the world, with the financial support of the greatest oil group outside of Standard Oil . . ."

It is reported that plans are under way to provide transportation facilities which will permit the General Asphalt Co. to go ahead with its oil operations on a large scale. Owing to the lack of such facilities, the company has had to cap down seven wells in what is known as the Mene Grande field of western Venezuela. Plans at present call for the construction of a pipe line from the company's wells to the eastern shore of Lake Maricaibo, the oil to proceed from there by light draught boats to the refinery.

Most of the other companies operating in Venezuela are foreign companies, whose shares are not dealt in on this side of the water. They include such concerns as the Colon Development Co., the British Controlled Oilfields, Ltd., etc. Of these two, the latter is reported to have Government concessions to bore for oil over an area of between six and seven million acres in the State of Falcon.

Transcontinental and Tropical Oil Related

Of the innumerable companies located in Colombia, S. A., Transcontinental and Tropical Oil are, perhaps, of greatest interest to American investors. Both these companies were formed and the properties selected by the Benedum-Trees combination, a group which is said to have developed and sold more properties to the Standard Oil organization than any other independents in the country. However, these two companies have made radically different progress marketwise in the last few months; Transcontinental's claim to immortality lies in a recent reaction in its shares from a high level of 62⅝ to around 25; while Tropical Oil has advanced from the original price of $5 a share, at which it was offered to the public last year, to a recent high of 22½.

The South American holdings of the Transcontinental Co. consist of a very extensive acreage in Colombia. These holdings have been enlarged from time to time along with the growth of the company, and are now believed to total close to 1,500,000 acres of land. The properties have a frontage of 100 miles on the Magdalena River, which assures the company of an outlet when production begins. Interests close to Transcontinental state that the Colombian acreage is rich in oil seepage, especially one tract, embracing 60,000 acres. Preparations for development work are going ahead with all possible speed and results of an important nature should be obtained in the not far distant future.

Transcontinental Oil, of course, is not by any means dependent upon its South American holdings for oil production, although much is hoped for from these grounds. The company has extensive possessions in Texas, Oklahoma and Louisiana, its properties in the latter State extending over 150,000 acres. It has a refinery at Boynton, Okla., with a capacity of 3,000 barrels; a wax plant under construction which will probably be completed next month; a 5,000-barrel refinery, partly finished, at Fort Worth, Texas, connecting with a 6-inch pipe line, 100 miles in length, running to the North Texas fields.

Transcontinental Oil is capitalized with 2,000,000 shares of stock, no par value. At the time of organization the company was said to have $9,000,000 cash at its disposal. Recent severe attacks upon the stock, resulting in the decline noted above, have been based on reports of a greatly reduced production from the company's acreage in the Desdemona pool of North Texas. These reports are not denied, but they seem to have been considerably over-emphasized when the company's other resources are considered. The current price for the stock of around $26 a share seems justified by the company's holdings and prospects, although no great recovery in the price is looked for in the immediate future.

Standard Oil Web Already Spun

Some day, in the very distant future, when the rabbit family passes out of existence in one generation, Mexico becomes a loving ally of the United States, and other metamorphoses bring us closer to the millenium, some enterprising explorer may find an oil field in some sequestrated corner of the globe in which the old Standard Oil Company has no representation. For the present, however, independent explorers must continue to count themselves lucky if they can tag along, say, ten years behind the S. O. organization in the matter of locating new fields.

Representatives of Standard Oil of New Jersey are said to have been encountered in South America fifteen years ago by a General Asphalt scout, who was then looking over the field for his own organization. Today, Standard Oil seems almost as firmly intrenched in the southlands as it is at home. Speaking in this connection, *The Lamp*—the official bulletin of the Standard Oil of New Jersey—says: "One must naturally feel proud, as he journeys through such a land, to see the familiar sign of the West India Oil Co., or the Standard Oil Company of Brazil, and to realize that these companies, agencies of the Standard Oil Company (N. J.) are identified with such progressive fields . . ."

"DEPOSITO OLEOS STANDARD"

Which is merely the way they designate "Standard Oil" warehouses in South America

Besides these two subsidiaries mentioned by *The Lamp*, the International Petroleum Co. should also be included in the list of Standard Oil companies operating in South America. Furthermore, it is now understood to be an accomplished fact that the International Petroleum has acquired control of the Tropical Oil Co., which puts one more skein in the Standard's web.

Tropical Oil was organized as a Delaware corporation in May, 1916. Capitalization consists of an authorized $50,000,000 of stock, par value $25, of which $35,000,000 was issued when the company was formed. The public participated in 210,000 shares of this issue at $5 a share. There is no funded debt.

In October, 1919, an additional 165,000 shares of Tropical Oil stock were sold under a plan giving stockholders as of November 1, 1919, the right to subscribe to one new share for every two shares that they held. The subscription price was $12.50 a share. Today, Tropical Oil stock is selling around $21 a share.

Proceeds of the latest financing, amounting to about $2,062,500, were for the purpose of drilling wells, erecting a refinery at Magdalena River, construction of pipe lines, and so on.

The Tropical Co. has mineral, oil and timber rights on about 3,500,000 acres of land in Colombia, located 350 miles inland up the Magdalena River. According to the latest reports, the company has already brought in three large wells, producing as much as 10,000 barrels a day apiece. These wells had to be capped down owing to lack of transportation facilities, but it is interesting to note that their large production will be available for market just as soon as the present construction program is completed. Now that the company has been taken under the Standard's wing, its stockholders may look forward with considerable assurance to its being put on a commercial operating basis much sooner than might otherwise have been the case. It is believed that Tropical's oil will be running to market within a year at the most.

Lobitos Oilfields Another Old Producer

Lobitos Oilfields, Ltd., although not very well known to American investors, is one of the oldest oil producers in South America. Its properties are located for the most part in Peru, where the company is reported to have had 150 wells producing late in 1917. Production from the Lobitos properties for the 4¼-year period to April, 1919, is given as follows: 1915, 88,713 tons; 1917, 91,548 tons; 1918, 85,213 tons, and in the four months to April, 1919, 27,539 tons.

Earnings from the Lobitos production have been large enough to warant divi-

dend payments of from 10% to 15% a year. The company has a capitalization consisting of 40,000 shares of par value £1.

Recently the Lobitos Oilfields expanded its holdings to include a sizable acreage in Ecuador. A new company, the Anglo-Ecuadorian Oil Co., was organized to take over these new properties, stockholders in the Lobitos company participating in two shares in the new company for every five shares of Lobitos that they held. According to reports believed to be accurate, the quality of the oil in the new acreage is high, containing a large proportion of petroleum. Eventually, it is thought, Lobitos' holdings in Ecuador may exceed its Peruvian acreage. At the present time Lobitos stock is selling around £4¾ and Anglo-Ecuadorian Oil around £1⅓, both issues being dealt in fairly actively in over-the-counter transactions in New York. At current levels, observers believe they are about high enough, although the company's growth and record add to their speculative possibilities.

Data concerning the other companies installed in South America and which will be producing on a large scale before long, would fill several pages and cannot therefore be included in this article. The best we can do is to give some of them brief mention.

Among these companies there is the Island Oil Co., which owns 90% of the stock of the Colombia Petroleum Syndicate, Ltd., with lease contracts on over 900,000 acres in Colombia, as well as 85% of the Bolivar Oil Co., Ltd., with concessions in Venezuela.

AN OIL USER

The photograph shows a citizen of Argentina carrying his supply of kerosene to his home in the foothills.

Guffey-Gillespie Oil Co. has also recently joined the invaders of the South through a contract arrangement with Atlantic Gulf & West Indies Steamship Co., providing for the development of more than 1,000,000 acres of land in Colombia owned by the "Colombia Syndicate." According to a recent announcement, the Guffey Co. acquired 450,000 out of a total of 2,000,000 shares of the Colombia Syndicate. Drilling is expected to begin this June, and operations will be facilitated through the fact that the Colombia Syndicate has $2,500,000 in cash available for operations.

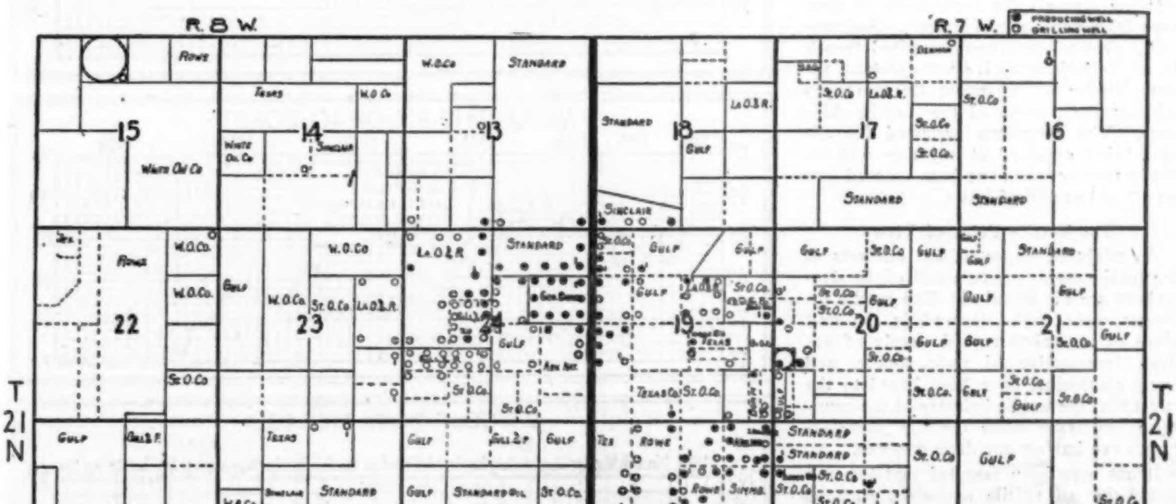
Boone Oil, with an authorized capital of $2,000,000 stock and $2,000,000 notes, must also be listed among the South American companies, as it holds 60% of the stock of the Reyes Corporation which, in turn, controls 200,000 acres of oil and gas leases in Colombia.

Finally, there is the Emerald Oil Co., which operates in Colombia. This concern is also understood to have large properties in the United States. It was formed by Albert J. Diescher, formerly connected with the Cities Service organization, and it is said that a large proportion of this company's stock is being held by Mr. Diescher's former associates.

The same rule applies to practically all these newcomers in the South American field; their future depends, not so much upon their obtaining gigantic production as upon their being able to transport the oil they locate. If they cannot afford to build pipe lines to the coast, where necessary, or if, in the mad rush for oil-tankers that is now going on, they should be crowded out, their South American properties won't be worth much. On the other hand, given adequate working capital and transportation facilities, these oil companies should not find it difficult to compete with our biggest producers.

The Famous Homer Field in Louisiana

(Black dots show producing wells; circles, drilling wells)



Trade Tendencies

(Continued from Page 473.)

(Continued from Page 473.)

Dyes

Legislative Difficulties

EVENTS which may have a considerable bearing on the future of the American dye industry are now taking place at Washington. The original Longworth measure for the protection of the dye industry now appears to have little hope of passing, and the substitute is in a precarious position. It is being currently said that the substitute measure now up for the consideration of Congress does not have the undivided support of the industry.

One of the main points of difference between this bill and the older measure is that the licensing proposed under this bill is to be issued on the basis of the individual importer's necessity for dyes for six months ahead, whereas, the original bill provided that the importer must prove to the licensing authorities that the industry as a whole needed to be allowed to import German dyes for that length of time ahead.

The Textile Alliance has come in for a good deal of criticism because of its attitude toward the dye industry. It is said that it is not giving the American manufacturer not in the Alliance sufficient of a chance. At this time, especially, American manufacturers are declaring at last their ability to furnish the vat dyes, heretofore considered a purely foreign product, in sufficient quantity to satisfy American needs.

Plans are now being undertaken to regulate severely the importation of dyes even from non-German sources. Switzerland, particularly, has benefited much from the lack of native vat dyes and the impossibility of importing German dyes without the consent of the Textile Alliance. The shipments arranged for are now being expected at any day, and already transactions have been entered into on a "sold as arrive" basis.

The Textile Point of View

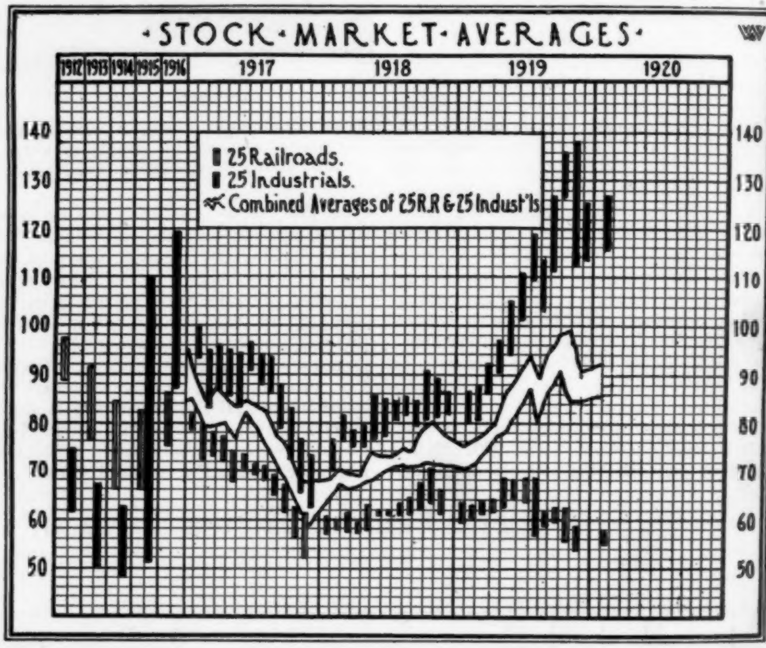
As might be expected, the interests of the textile manufacturers and of the dyemakers are not identical. The textile interests want to be assured in the first place of an uninterrupted supply of vat dyes, irrespective of their source, and many complaints have been heard to the effect that the textile industry of the country is suffering while the dye manufacturers are having out their disputes.

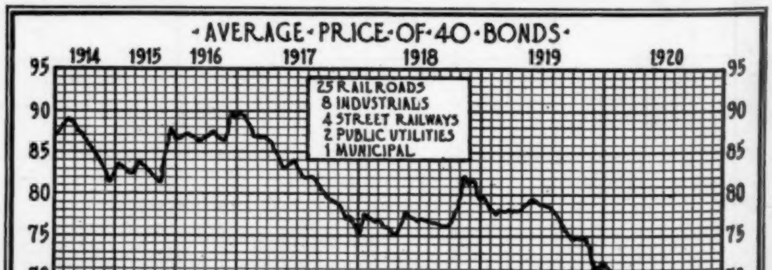
It has even been asserted that lowered production of textile materials, such as shirtings, hosiery and the like, will be necessary unless better arrangements are made for the supply of dyes. It is known that the dye market is suffering from scant supply at the present time, and Swiss shipments have done little to relieve the situation. The German supplies ordered through the Textile Alliance, it is estimated, will be absorbed in a few days, and nothing short of a slackening demand for finished textiles, which does not seem to have appeared yet, will loosen the stringency.

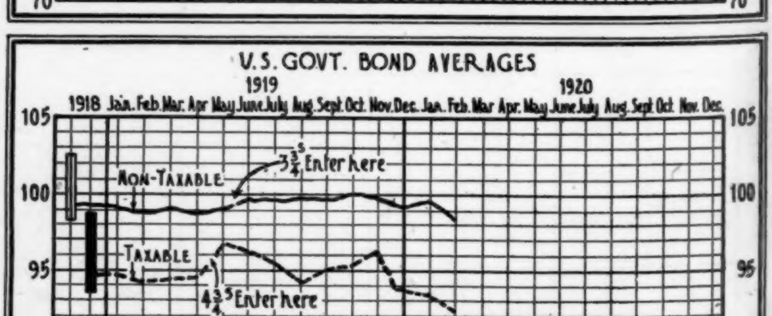
The outlook for dye-making concerns at the present time is one of great prosperity, as their output seems to be absorbed as soon as it is offered, but further continuance of this condition will largely depend on the action of Congress in regard to measures for the protection of the industry.

Market Statistics

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Inds.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, Jan. 17..	71.90	102.43	74.96	86.98	85.83	494,224
Monday, Jan. 19..	71.94	102.72	74.71	87.08	85.23	778,195
Tuesday, Jan. 20..	71.83	103.48	74.68	86.98	86.09	474,168
Wednesday, Jan. 21	71.81	102.62	74.46	87.14	86.13	459,575
Thursday, Jan. 22.	71.75	102.36	74.28	86.56	85.84	497,357
Friday, Jan. 23....	71.55	101.90	74.22	86.49	85.77	536,175
Saturday, Jan. 24..	71.41	102.65	74.29	86.74	85.89	343,500
Monday, Jan. 26..	71.35	103.74	74.29	88.01	86.38	762,940
Tuesday, Jan. 27..	71.27	104.15	74.35	88.07	87.14	656,300
Wednesday, Jan. 28	71.10	103.96	74.25	88.12	87.04	673,820
Thursday, Jan. 29.	71.05	103.60	73.90	87.84	86.93	532,390
Friday, Jan. 30....	70.81	104.21	74.18	88.05	87.17	526,570







YES, WE MUST SAVE

"THE great trouble with the American people to-day is extravagance," said the pompous man to the quiet man, as the ticker paused for a rest.

"Why, factory operatives are riding to their work in automobiles. The girls who work in the cotton mills are wearing silk stockings. People are eating more meat than ever, although it costs three times as much. My wife dragged me into a department store the other day. Every woman there wore furs, and you know furs cost four or five times as much as they used to. Every stenographer and girl clerk has them, though. The theaters are doing an S. R. O. business, although there are twice as many and their prices are twice as high. The moving picture houses have doubled and tripled their rates, but they are crowded day and night. Men are smoking more than ever, although cigars and cigarettes have doubled in price for the same or worse quality. It's a shameful condition of affairs. It spells disaster."

"Have you a cigar?" asked the quiet man. "Mine are exhausted."

"Certainly, here's one."

"Thank you. Looks like a good one. What do these cost?"

"Twenty-five. And I used to smoke the three-for-a-quarter kind."

"I see you wear silk socks, too. Always wear them?"

"Well, no, but everybody else has them so I fell in line."

"Your hat looks like about $15. Always wear the same grade?"

"Why, no, this is a velour and I used to wear a felt," replied the pompous man, beginning to look thoughtful.

"Now that you think it over, do you go to the theater oftener now than you did before the war, or not so often?"

"I—I guess I go rather oftener."

"You spoke of going to the department store with your wife. May I ask what she was boing to buy?"

"Furs," said the pompous man weakly.

"Oh, I see," said the quiet man. "Yes, we must all save."

* * *

A WALL STREET INCIDENT 1904

IN that memorable day in April, ~~1905~~, the writer happened to be at the corner of Broad and Wall Streets after the news of the San Francisco earthquake had reached New York and when efforts for relief were being exerted everywhere and

in every conceivable way. George M. Cohan was standing on the corner selling New York *Heralds.*

"Come along you John W. Gates players," said he, "when I get a thousand I'm going to sing 'Yankee Doodle Boy.'" In explanation it may be said that at that time John W. Gates had achieved no little prominence as a market operator and "Yankee Doodle Boy" had just made George M. Cohan famous.

Quick as a flash a hand went up from a Wall Street man who cried out "Here's your thousand—now sing." And George M. Cohan did. In a half hour thousands of dollars—voluntary contributions—were gladly given by that Wall Street crowd.—T. C. J.

* * *

$ome people $ay that they are on the $treet for the fun of it—$ounds $lightly fi$hy to u$. We $u$pect $ome other motive$.

* * *

WHAT'S IN A NAME?

Those who walk in darkness thru the "street"
Hark to the plaintive wail—the poor lamb's bleat,
E'en though the rise is slow, the fall is fleet!

Many are called, but few put margin up
Against the Fed'r'l bank's most bitter cup;
Gushers and strikes! Ah how the tempters tease;
Anderson's fairy tales had nothing much on these.
Zealously they look for that most wondrous share
In which to plunge—emerge a millionaire;
Note the poor fool who blames his loss on chance—
E'en when the fiddler stops, the lamb must dance!

Ofttimes a whisper means a golden tip;
Fools quaff the cup where only gods may sip.

Why does a "sucker" hold when profits show
Aboard his list—why will he not let go?
Lives there a man who to himself has said,
"Let me not hope—I'll take the loss instead"?

Still! oh ye lamb, a ray shines o'er the land,
This magazine will lend a helping hand;
Read of its lore! get off the "sucker list,"
Enjoy the power that helps you to resist.
Each reader now may nibble, even bite,
THE MAGAZINE OF WALL STREET sheds the light!

VICTOR E. GRAHAM.

Adventures of Mr. Wanta Getrich Quick

Investment Inquiries

ISLAND OIL

Outcome of Litigation Uncertain

Unless we have been ill-advised, there has been something new with reference to the suit of Met. Pet. vs. Island Oil.

Your article in the October 18 issue seems to have been based upon what was formerly the general belief that the only grounds in dispute in the suit are those upon which is the well Tepatate No. 9, and that all the other wells, including Chenampa No. 162, were upon other grounds. It has been reported, however, that it was brought to light in the testimony in the trial that *all* of the production of Island Oil is upon grounds transferred from Met. Pet. and in dispute in the litigation. If this be correct, is not the position of Island Oil stock very precarious? Especially so if the bill filed by Met. Pet. against Island Oil prays for a reconveyance of these grounds and an accounting, including the pipe line?

I noticed in the December 27 issue of The Magazine of Wall Street, upon page 229, that Island Oil is included in the "Comparative Guide to Leading Oil Stocks," and given a rating of "C," speculative investment; with a note by the editor that "Price too low on basis potentialities and complete developments." Would you still give it that rating, and advise one to hold on to its stock with the Met. Pet. suit now standing as it does?

If Island Oil will not be materially affected by the suit, its future seems to be very promising.—T. M.

In giving our opinion we do not do so as lawyers, and quite obviously in order to give a conclusion as to merits of the quarrel between Island Oil and Metropolitan Petroleum we would have to go into all the fine points of law involved. The evidence covers hundreds of typewritten pages, and the facts of the matter, if it comes to the courts, will probably tax the ingenuity of lawyers and judges.

We have tried to give the facts connected with the Island Oil dispute in The Magazine of Wall Street impartially, and we have no axes to grind either way. It is our view that either a settlement will take place or that if Metropolitan Petroleum wins it will be in connection with a small part of the lands in dispute.

A. B. Leach & Co., 62 Cedar street, New York, financed with Richmond Levering the Island Oil & Transport Corporation. If you are interested still further in the matter and care to communicate with this firm they might be able to give you a statement on the subject.

The lands in dispute are undoubtedly very valuable, and to whichever of the parties the land is finally adjudged, their stocks will be found far more valuable than present prices for the respective stocks of the company will indicate. The writer would sooner hold the shares of Island Oil for a long pull, but is prepared to admit that, not being a lawyer or having the time to go into all the legal entanglements of both companies, and, of course, not being able to place himself in the judge and jury's place, he may be wrong. For this reason the shares must be considered a speculation.

DISTRIBUTED INVESTMENTS

Railroad Stocks Have Possibilities

In order that you may understand my present position, I give herewith a full list of my securities: 100 Union Pacific at 113; 100 Southern Pacific at 99; 100 Northern Pacific at 93; 100 B. & O. at 54½; 100 Wabash "A" at 38; 100 C. R. I. & P. 6% pfd. at 59; 200 Amer. Tel. & Tel. at 102; 35 Southern Pipe Line at 190; 50 Beth. Steel 8% pfd. at 108; 50 Pierce Arrow 8% pfd. at 104; 25 U. S. Rubber 8% pfd. at 112; 25 Mexican Petroleum 8% pfd. at 108; 50 Western Union Telegraph at 87; 50 U. S. Smelting pfd. at 50; Southwestern P. & L. 7% pfd. at 94; 50 Republic Rubber 7% pfd. at 97; 50 Central Steel 7% pfd. at 102; $10,000 Hudson & Manhattan Refdg. 5s.

I wish the above list to serve as basis for steady income. Have been unlucky with the B. & O. and Wabash, but do not like to sacrifice at present prices in order to make a change. Kindly give me your criticism and advice on above list. Will probably have about $20 000 to invest in April or May, and have been planning on buying some U. S. Steel and Bethlehem Steel common and some Anaconda Copper, if prices are at a purchasing level at that time.—W. C. W.

We believe that the selection of securities in the list you give us is a fairly good one. We note that you have good profits on Union Pacific and Southern Pacific, but we would advise holding your rail stocks as we believe the market will advance as soon as Congress passes definitely upon the railroad problem. Northern Pacific shows you quite a loss owing to the weakened earnings, but we do not think there is very great danger of a dividend reduction. The C. B. & Q. earnings have been increasing over last year, and as you know, Northern Pacific has a half interest in this road. B. & O. and Wabash are in a very bad position, especially the latter. We would suggest switching from Wabash "A" to some other stock, such as Pierce Oil or Chile Copper, which have a better chance for a "come-back."

American Tel. & Tel. we think you can safely hold, as the dividend must be paid in order to maintain the company's credit for its bond issues. Your industrial preferred stocks are all fairly safe. Central Iron & Steel is a small company, and it is difficult to get any news on the company's earnings and operations for the current year. We think it might be better for you to switch to some other

industrial preferred, such as American Steel Foundries preferred.

Hudson & Manhattan 5s have been weak recently, apparently because the public does not distinguish between this company and the other tractions. We think well of them.

IMPORTANT!

We have greatly enlarged and improved our Investors' Personal Inquiry Service and have installed direct telegraphic connections. A nominal charge will be made to cover in part the growing cost of this service. For particulars please see page 8A—The Magazine of Wall Street

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INTERCONTINENTAL RUBBER
Not Attractive at Present Price

Intercontinental Rubber has had a checkered career during the past year on the New York Curb, rising within a short time from 10 to 33, and falling back to around 20, at which level it remained for some time. Since then it has reacted to as low as 12, and is now being dealt in at around 15. We do not favor this issue as a speculation, as its fluctuations appear to be almost entirely due to pool operations. The earnings of the company have never been large and, while it has properties capable of considerable development, increasing competition in the rubber production industry does not make its outlook very favorable. There is also the discouraging Mexican outlook to be taken into account. So far as intrinsic value is concerned, we do not see why the stock should sell above its present price.

AMERICAN AGRICULTURAL CHEMICAL
Earnings Have Increased

Earnings of the American Agricultural Chemical Co. for the first quarter of the fiscal year, beginning June, 1919, are not available. Reports from generally reliable sources, however, indicate that the company's earnings for that period, and up to the present time, have increased considerably. The Government has removed restrictions from fertilizers, and this, together with an increase of from 10% to 20% in supply, should influence the company's earnings. The stock seems a fair speculation.

U. S. REALTY & IMPROVEMENT
Sharing Prosperity in Real Estate

U. S. Realty & Improvement shares have had a considerable rise in the last few weeks, but we still believe they offer good possibilities. The company is doing an enormous business, and is said to have earned around $15 a share for the stock in 1919. Basis for its prosperity is to be found in the activity and strength in the real estate markets of the past few months. Attention may also be called to the company's 5% bonds, maturing in

1924, which now sell around 80. They seem well secured and, if held to maturity, would yield around 10% on the investment.

ATLANTIC FRUIT CO.
Has Expanded Materially

Earnings of the Atlantic Fruit Company for 1919 were about $3,500,000, or 5 times interest charges on the company's 7% debentures, just issued. We think the debenture bonds are well secured and, at present levels, are very attractive. The company has been expanding considerably of late, having purchased new steamers, acquired new plantations in Cuba, and now intends to erect a sugar mill in Cuba with an initial capacity of 300,000 bags. The outlook for the company appears bright.

ALASKA GOLD
An Uncertain and Speculative Issue

Alaska Gold has reported a deficit for several successive quarters, and a serious decline in the stock has resulted. The company does not seem able to control operating costs, and its future is entirely uncertain. Alaska Gold stock is now being dealt in around $2 a share, and although it may be good for a long pull, we do not see any prospect of its enhancing in value in the immediate future. Its management is resourceful, and it may happen that a solution of its "costs versus low-grade ore" problem may be discovered.

Its bonds are more attractive for speculation than the stocks.

BURNS BROS. COAL
Outlook Not Especially Bright

Burns Bros. Coal at present prices is near its lowest level for the past year. Although the stock formerly paid dividends at the rate of 10% in cash and 10% in stock dividends, this policy can hardly be expected to continue, as the company reported a deficit, after payment of dividends, for the 4 months ending September 30. We believe the stock dividend will probably be discontinued and that the cash dividend will be reduced.

In view of Government price-fixing, and similar factors, the prospects for the coal companies this year do not seem particularly good and we would not care to recommend purchase of shares in such companies at the present time.

UNITED ALLOY STEEL
Earnings Only Slightly Above Dividends

United Alloy Steel we believe should still be considered in the speculative class. The company appears to have over-estimated its possibilities and expanded too rapidly. Earnings in 1918 were only a small margin above dividend requirements, and only a slight increase is expected for 1919. The stock has had a considerable decline, but we would not advise its purchase. Midvale looks better for speculative investment.

VANADIUM STEEL
Engaged in Very Promising Field

Vanadium Steel Company is to issue additional shares of stock in connection

with the acquisition of the Premose Chemical Co., and is to give stockholders the right to subscribe to the new stock on the basis of three shares for one at $45 a share. The rights are now selling on the New York Curb Market at around $3 apiece.

We think well of the prospects of Vanadium Steel, and believe that in time it will develop into one of our leading industrials. The possibilities in the ferro-alloy industry have only begun to be appreciated. It is futile to guess as to when dividends will be begun on the stock, but prospects in this direction in the near future seem favorable.

INTERNATIONAL OIL & GAS
An Expansion Program

International Oil & Gas Corporation, incorporated in Delaware, owns acreage in Texas, Louisiana, Kentucky and Arkansas. The company proposes to acquire control of another concern owning oil and gas leases in Kentucky and Mexico. Its refinery at Treesport, Louisiana, has a capacity of 15,000 barrels a month.

The company is reported to have a settled daily production of 1,000 barrels from 12 wells in Louisiana, and has contracted to purchase 240 acres more with a settled daily production of 300 barrels. Funded debt consists of $400,000 convertible 5-year 7% sinking fund notes. Capital stock consists of an authorized $10,000,000, par value $1, of which $7,950,000 is outstanding.

Earnings of the International Oil & Gas Corporation in 1919 are estimated at $562,000. The stock appears to be a fair speculation, but, of course, should not be classed as an investment.

RYAN PETROLEUM
Production Sold to Prairie Oil & Gas

Ryan Petroleum Co. owns leases on about 17,000 acres in the Burke-Waggoner field of Texas. Production is said to be around 17,000 barrels a day, and twenty new wells are being drilled at the present time.

The company has storage tanks with a capacity of 440,000 barrels. It has had to limit production because of poor transportation facilities. Recently, however, a pipe line has been built, sold to the Prairie Oil & Gas Co., and the latter company has agreed to purchase the entire output of Ryan Petroleum in the Burke-Burnette Field.

Ryan Petroleum we believe to be well sponsored and we believe the stock has possibilities. Capitalization of the company consists of $3,000,000 stock, par value $1, all of which is outstanding.

TEMTOR PRODUCTS CO.
Good Earnings Reported

Temtor Products stock we consider to be still in the speculative class. The company was formerly a part of the Corn Products Co., but was released by the Corn Products following a ruling by the Department of Justice. The Temtor Co. is the largest producer of jellies, jams, preserves, etc., in this country, and earnings are said to be running at the rate of about $9 a share on the class A stock.

Guarding Your Family's Future Through Lifetime Trusts

How Voluntary Trusts May Be Established and the Advantages Which They Offer

By JOHN A. BURNS

Are you failing, through lack of understanding, to make the most advantageous use of the facilities which banks and trust companies offer the investor? In this series of articles, some of the more important functions of trust companies are explained by authorities. Mr. John A. Burns, the author of this article, is Trust Officer of the Mercantile Trust Company, New York.

LIFETIME trusts, trusts during life or trusts under voluntary agreements as they are variously termed, mean little to most investors. Explained briefly, a lifetime trust is a trust established under a voluntary agreement by which property is conveyed to a trustee or trustees to be managed and disposed of both principal and income, in whatever manner is set forth in the agreement. As their advantages become understood more widely, it seems very probable that even greater numbers of people will have recourse to them.

Whether trusts under wills or trusts under voluntary agreements are best suited to the conditions peculiar to any given circumstances can be determined best by the maker and his attorney from their intimate knowledge of the situation. Like a will, a trust agreement involves many legal phases, not the least of which is the effect it may have on the status of the maker and of the beneficiaries with respect to taxation, personal as well as income and inheritance, both State and Federal. The preparation of an agreement of trust is a work worthy of the best legal minds and with this thought the attorney employed for this purpose by the maker of a trust agreement should be carefully chosen. He will find the Trust Company and its attorneys ready and anxious to give him any help he may desire in determining the practical operation of any arrangement that may be proposed.

What May Be Accomplished

Such a trust may be established during the life of the maker and the trust may begin to function at once or at any time thereafter that may be set by the agreement. It may be operative at once with respect to some of the property of the maker and become operative at his death as to any wealth he may leave behind, as to his insurance or as to any property over which he may have the right of disposition. Perhaps the agreement may provide for the immediate surrender to the trustee of certain stocks, bonds, mortgages, real estate and cash, with instructions to the trustee to manage the property and to pay the income from a certain portion of the property to a married daughter and to apply the balance of the income to the use of a certain specified charity. Perhaps it may be directed that all of the income from the fund shall be paid to the maker during his life, that after his death the income from the original fund and from all other property of which the maker may die seized, shall be paid to his son during the son's life and that on the son's death, the entire fund shall be paid over as the son in his will may direct or if he shall fail to make a will or direct its disposition the fund shall be applied to the maintenance of a hospital named in the agreement of trust. The maker may reserve the right to add to the fund at any time, to decrease it or to revoke the arrangement in whole or in part; he may retain the right to direct the trustee as to the investments and reinvestments, he may provide that the trustee may invest in certain specified classes of securities or he may direct that the Trustee may use its discretion without restriction as to investments. These Trusts may be used in lieu of wills, to supplement wills, to provide for marriage settlements, personal or institutional charities, educational or other funds for children and the like. In short, the arrangement is elastic enough to cover almost any reasonable desire unless it violates one of the few restrictions imposed by law on trusts of any nature whether established under a will or by a voluntary agreement. One of its greatest advantages is that it permits the maker to observe its workings and to revise or alter it if its operation does not accomplish what he desires and this, of course, is impossible of accomplishment in a trust established under a will and coming into existence after the maker's death.

The Trust Company as Trustee

The trustees' duties are varied and, in general, embrace the custody and management of the trust property. While individuals may and often do act as trustees under voluntary agreements of trust, the trust company at no greater, and often a less expense offers the ideal solution of trusteeships. To the management of trusts the trust company devotes the exclusive services of a carefully chosen department of its organization, each member of which is peculiarly fitted for the duties entrusted to him. An individual in like capacity can at best devote only his spare time to the affairs of the trust. The trust company's handling of the accounting details of trusts is careful and intelligent and in most cases is superior to the treatment which an individual gives even his own affairs. This is most important to both the maker and the beneficiaries, as careless accounting may operate to the advantage of one beneficiary and to the disadvantage of another, thus defeating in part the intention of the maker of the trust. The trust company as trustee is always impartial, having no selfish inter-

ests and there have been occasions where this was not the case with individual trustees. The honesty and responsibility of the trust company is assured not only by the pledge of a portion of its capital with the proper State officers, which in New York State is a prerequisite to doing business, but also by the entire capital and surplus of the company. This avoids the expense incident to bonding an individual trustee or the danger of permitting him to serve without bond. This danger, moreover, is not only that of intentional dishonesty but also that of carelessness, for example, the mingling of trust and personal funds and careless bookkeeping. The trust company's knowledge of the duties and responsibilities of trustees, of income tax and other tax matters and the fact that in a well organized trust company several men are in close touch with the affairs of each trust, is of great advantage as each matter is handled with the minimum of delay and expense, and the periodic statements rendered by the trust company are of untold assistance to the recipients of income in preparing their income tax reports.

But it is in the preservation of principal and income through the exercise of judgment with respect to investments that the trust company as trustee offers facilities that are far superior to that afforded by individual trustees. The trust investments are watched constantly by carefully trained clerks and officers aided by complete financial libraries, reference books, charts, statistical services and credit and other special reports. When the officers deem investment changes desirable or when the information at their command is insufficient for them to determine whether a change is desirable, when the question of making or extending a mortgage arises, when an offer is received for real estate, when there are idle funds to be invested, when a corporation whose securities are owned by the trust appears to be getting into difficulties, they have access to the judgment of the trust company directors and to the knowledge of business conditions, both general and special, which is available through the varied lines of business in which the directors are engaged and with which they are affiliated. In other words, the trust company as trustee at small expense, furnishes a service which, if possible at all, could be obtained from individual trustees only at a prohibitive expense.

Rights

When a new stock issue is brought out by a corporation it usually grants its stockholders of a certain date the right to subscribe to the new stock at a figure lower than the market price. The number of shares which the stockholder may subscribe to is governed by the number of original shares he holds. These "rights," of course, have a market value and should the holder of these "rights" not wish to avail himself of the privilege of subscribing to the new shares, he may sell his "rights" in the open market. "Rights" are traded in on the market in the same way that stock is traded in. The value of the "rights" being governed by the market price of the stock.

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.

Dallas Power & Light 7% Cum. Pref. Company supplies electric light and power service in Dallas, the leading business center in Texas and the Southwest, under a satisfactory charter approved by popular vote of city in April, 1917. Charter provides for 9% return on property value. Issue protected by large margins in assets and earnings. Property up-to-date and apparently well maintained. Preferred outstanding to amount of $1,000,000 preceded by open-mortgage, now outstanding to amount of $4,500,000. Company supervised by Electric Bond & Share Co., which is controlled by General Electric interests. Majority of directors are residents of Dallas and include some of the most prominent men of that city. Offered at 100 to net 7%.

De Beers Consolidated Mines, Ltd. Owns the famous diamond mines of De Beers, Kimberley and others in South Africa, which in the aggregate include a control of about 80% of the world's total output of diamonds. "American shares" are to be issued pursuant to a deposit agreement with the Central Union Trust Co. of New York as depository, at the rate of 5 "American shares" for each two deferred shares of the company deposited. Dividends on the deferred shares have been paid regularly since 1909, with the exceptions of the years 1915 and 1916 when they were suspended because of war conditions. Dividends at large rates have been declared since the beginning of 1919, and for the first six months of the current year, a 60% dividend has been declared, which at the current rate of exchange is equivalent to nearly $2.25 an "American share." Dividends will be received by the depository in sterling and distributed on the American shares in terms of dollars, without deduction for South African and British taxes for other than residents of the United Kingdom. Offered to amount of 80,000 "American shares" at 47 per share.

Frances Fox Development Co. 8% Cum. Pref. Company organized to take over and operate Frances Fox Institute for the Scientific Treatment of the Hair and to manufacture and distribute preparations and materails for the scalp and hair, compounded from secret formulae resulting from an intense study during a period of 22 years, combined with practical experience in treating hair in various parts of the world. The system has, according to many statements, proven a great success and the business has shown remarkable expansion. The clients of the institute include a number of very prominent persons, many of whom are also stockholders. Present sale of $100,000 preferred will enable further expansion, by opening institutes in a number of cities where institutes are not yet operating and will reimburse the company for expenditures on plant at Ridgefield, N. J., to manufacture preparations needed in treatment. Preferred dividends are well covered by earnings, and the stock also has a good equity in assets. No bonds or notes outstanding, and aside from preferred, the $100,000 common outstanding is owned by the Fox family. An unusual feature of the preferred is a written guarantee by Mrs. Frances Fox to repurchase any stock which may be offered for sale at some future date. Offered at 100 to net 8%.

Oriental Navigation 8% First Cum. Conv. Pref. Properties to be acquired include a fleet of 6 ocean-going vessels of modern construction, piers and other facilities. Company has important South American connections, and in addition has developed its ocean transportation to a large number of European and Black Sea ports. Preferred dividend requirements have been earned a number of times over, and in 1920, according to estimates, should be covered about 9 times. Net tangible assets more than $180 a share. Liberal sinking fund and a number of restrictions protecting earning and asset position of preferred are also provided. Capitalization outstanding, $2,000,000 first preferred; $2,000,000 second 8% preferred and 42,000 shares of common. Available net earnings are now over $4 per share on common and for 1920 are estimated at over $15 a share. Eight shares of preferred and 3 shares of common offered at $1,000.

Albert Pick & Co. 7% Cum. Pref. Company is largest house of its kind catering to the complete equipment of hotels, restaurants, colleges, etc. Business has been in existence since 1857. Proceeds of this issue will be used to retire outstanding balance of a former issue of preferred and to provide additional working capital to care for the large expansion of the business. Expected that funds received from sale of preferred will substantially aid earnings, but preferred dividends have been earned with very large margins for a number of years. Net quick assets about $155 a share, and net tangible assets $200 a share. Sinking fund of 3% per annum is to be set aside for retirement or purchasing of preferred, beginning April 1, 1922. No mortgages or bonded debt. Tax exempt in Illinois. Offered to amount of $3,500,000 at 97 to net 7.22%.

Revillion, Inc. 8% Cum. S. F. Pref. Revillion, Inc., is a new corporation formed to take over the American and Canadian interests of Revillion Freres, of Paris, who have been successfully engaged in the fur business for 197 years, and who are now the largest factor in the fur trade. The issuer of this preferred will own all the stock of three Revillion corporations already formed, and in turn all of its common stock will be controlled by the parent company. Each of the three companies is earning independently more than the 8% dividend required on the preferred, and in the aggregate are earning it with a wide margin. Net quick assets amount to about $260 a share, and total net assets (apparently all

tangible), $300 a share. A very liberal sinking fund for the purchase of the preferred at or below 110 until Feb. 1, 1931, and thereafter at or below 115 is provided. Authorized and outstanding common 120,000 shares of no par value. Preferred authorized $4,000,000, par value $100, and outstanding $2,000,000 (present issue) offered at 102½ to net about 7.80%.

R. J. Reynolds Tobacco 7% Cum. Pref. Company one of the leading concerns engaging in the tobacco business. Manufactures and sells chewing and smoking tobacco and cigarettes, its principal brands including some of the most profitable on the market. This issue is being offered to provide additional working capital for the company, necessitated by the increased volume of business. The preferred stock is protected by large equities in earnings and assets. Capitalization consists of $15,000,000 3-year 6% notes, $20,000,000 7% cumulative preferred and $20,000,000 common and class B common. Preferred redeemable at 120. All of the preferred has already been subscribed for.

Sonora Phonograph 8% Cum. Pref. Company established in 1913, and produces Sonora phonographs which have many unique features, protected by patents. Has three plants at present, but substantial additions are to be made which will allow the company to care for the great expansion in business. Net earnings in the past four years have covered preferred dividend requirements with very large margins, and maintenance and depreciation have been liberally cared for. Business has shown a remarkable expansion. Over 90% of the common stock is owned by the management. Net quick assets per share amount to $143, and net tangible assets, $245. Liberal sinking fund for retirement or purchase of preferred at not over 110, and a number of restrictive provisions protecting preferred are provided. Capitalization consists of $1,000,000 preferred and $6,000,000 common, par value of both classes, $100. Offered at $100 to net 8%.

Williams Tool Corporation. Manufacturing pipe threading and bolt cutting machines and the demand from the oil industry for pipe machines is very large. Possibilities of business are very favorable. Company is a small one, located in Erie, Pa. It is a seasoned enterprise, and the issue offered has many attractive features. Offered by conservative interests to amount of about $700,000.

NEW GRAPHIC RECORDS SERVICE

A MONTHLY BOOKLET OF GREAT VALUE TO INVESTORS

As will be seen from our announcement elsewhere in this issue, THE MAGAZINE OF WALL STREET has inaugurated a new service for investors, which consists of complete graphic price records of all active stocks, together with condensed figures showing the latest earnings of the companies and comparative tabulations covering several years. It also covers a brief statement of current conditions affecting each company.

These monthly booklets are a sort of multum in parvo. We have not seen anything else giving so much valuable information about stocks in such brief and comprehensive form. The important facts in regard to each stock and its price movements can be seen at a glance.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue.	Maturity.	Offering Price.	App. Yield to Maturity.	
Government and Municipal:				
*Kingdom of Belgium 5-Year 6% Notes....	Jan., 1925	95.75	7.00%	
*Kingdom of Belgium 1-Year 6% Notes....	1921	99.00	7.00	
*City of Toronto, Canada, Guar. 4½s.......	Sept., 1953	77.17	6.10	
*State of Louisiana Port Com. 5s...........	1931-'60	100.00	5.00	(a) (d)
State of Connecticut 4s.....................	July, 1936	97.00	4.25	(a)
*State of South Dakota Rural Credit 5s....	1930-'40	100.00	5.00	(a)
*Miami Conservancy District 5½s..........	1928-'45	103.54@107.21	5.00	(a) (e)
*Crittenden County, Ark., Road 5s..........	1924-'45	94.45@98.27	5.40	(a)
White County, Ark., Highway 5½s.........	1920-'39	100.00	5.50	(a)
Madison County, N. Y., Registered 4s......	1921-'31	95.55@ 99.28	4.50	(a)
*Selma School District, Cal., 5s............	19.20-'39	100.19@102.55	4.80	(a)
Port of Tacoma, Wash., Gold 5s............	1931-'55	100.00	5.00	(a)
Public Utility:				
*Consolidated Gas Co. of N. Y., 7s.........	Feb., 1925	100.00	7.00	(d)
Philadelphia Electric 2-Year 6% Notes.....	1922	97.75	7.25	(b) (d)
*Southern California Edison Gen. & Ref. 6s.	1944	96.00	6.30	(g)
*Union Light, Heat & Power (Kent.) First 7s	1925	100.00	7.00	(b) (e)
Piedmont Power & Light First 6s..........	May, 1934	96.50	6.40	(e) (g)
Industrial:				
*Greenlock Company 5-Year 7% Notes.....	Jan., 1925	99.00	7.25	(b)

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $1,000 and $500 denomination. (e) Available in $500 and $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% so far as is legally permitted. (*) Discussed in text.

Kingdom of Belgium 6% Notes. An external obligation of the Kingdom of Belgium, which has always enjoyed very high credit. The readjustment to a pre-war basis is progressing very rapidly, and the country is not burdened with anywhere near as large a public debt as the other European countries. This will enable it to forge ahead commercially without having to worry about the public debt. Both the interest and principal will be paid in gold in New York. A definite return in dollars is therefore assured, regardless of fluctuations in exchange. The holder is given, however, an option on Belgian francs at the rate of 11 francs to the dollar for the life of the notes. Thus the investor is assured a 7% return, and in addition possible exchange profits by Belgian exchange advancing above the option figure. The parity of Belgian exchange is 5.18, and considering the rapid readjustment in Belgium and the possibility for return to normal economic conditions, the prospects are favorable that the franc will appreciate in terms of the dollar. Prefer five-year maturity, as it gives better possibilities for exchange profits.

City of Toronto Guaranteed 4½s. An issue of the Toronto Harbor Commissioners, and are guaranteed unconditionally by endorsement both as to interest and principal. They have all the security of bonds issued by the city and in addition the pledge of the property of the Harbor Commissioners and the revenues therefrom. The actual assets of the Commissioners are approximately $20,000,000, and the total bonded debt, including this issue, $12,455,000. A sinking fund sufficient to retire 50% of the issue at maturity is set aside annually with which to purchase the bonds in the open market up to 105. Considering the strong security, the yield of more than 6% is very attractive, especially in view of the long maturity.

State of Louisiana Port Commission 5s. A general obligation of the State, issued by the Board of Commissioners of the Port of New Orleans by direct authority of State law. All previous issues of this Commission have been accepted by the United States Government to secure Postal Savings deposits at 100% of par value. This speaks very well for the high character of the bonds. A yield of 5% on a high-grade municipal makes it highly attractive for large investors. State of South Dakota Rural 5s also highly attractive.

Miami Conservancy District 5½s. This district, organized under an Act of the Legislature as a political division of the State for the prevention of floods and protection of cities, etc., in one of the most important industrial and fertile sections of Ohio. Benefits have already been approved by the court to the amount of $76,052,629, while the total debt of the district, including this issue, is but $24,340,600. The population of the district is estimated at 425,000. An excellent municipal.

Crittenden County, Ark. 5s. This county includes 372,480 acres in Northeastern Arkansas, immediately across the Mississippi River from Memphis, Tenn. This issue is an obligation of Road Improvement District No. 9. No improvement district located in Crittenden County has ever defaulted in the payment of either interest or principal on any of its indebtedness. The road improvement district is located in the east-central part of the county, which contains some of the most fertile land in the county. Road improvements and extensions are to be constructed from the proceeds of this issue. Taxes for the pay-

ment of the principal and interest have been levied to an amount exceeding 10% of requirements. All of the bonds maturing in 1938, 1935 and 1942 are of $500 denomination. All others are $1,000 bonds.

Consolidated Gas Convertible 7s. Company directly and through its subsidiaries does practically the entire gas and electric light and power business in the Borough of Manhattan, and in large parts of the Bronx, Queens and in Westchester County, serving a population at present estimated at 4,000,000. The gross revenues of the company have been showing good expansion, but as operating expenses have been advancing and rates have remained practically constant, net earnings have been moving downward. However, there are good prospects that rate advances will soon be allowed. Still, interest charges are earned with large margins, and the surplus and assets of the company are very considerable. These notes, issued to the amount of $25,000,000, will constitute the only bonded debt of the company. The bonds will be secured by $35,000,000 par value of N. Y. Edison stock, whose dividends are more than sufficient to cover interest. Convertible at option of holder on Februtry 1, 1922, or any interest date thereafter into common stock at par. Redeemable as a whole on September 1, 1922, and thereafter, at stipulated periods, at figures ranging from 102½ to 101. An attractive investment offering good possibilities for appreciation in market price.

Southern California Edison General & Refunding 6s. This company supplies electric light and power to over 150 cities and towns, including Los Angeles. It serves an area of 55,000 square miles and a population of over 1,000,000. The generating plants operated by the company have a total installed capacity of 302,430 horsepower, of which more than half is water power. The bonds are protected by large equities in assets and earnings. The company agrees to pay interest without deduction for any normal Federal income tax up to 4% so far as the law permits. Under the present law the company will pay the 2% deductible at the source. A well secured issue, though yield is not very large.

Union Light, Heat & Power First 7s. Company does the entire gas, electric light and power business of Covington, Newport and other Kentucky communities adjacent to the City of Cincinnati. The equipment and purchase arrangements are very satisfactory. All of the capital stock is owned by the Cincinnati, Newport and Covington Light & Traction Co., which is leased to the Columbia Gas & Electric Co. The proceeds of this issue are to be used to retire outstanding indebtedness and to make additions and betterments. The first mortgage 7s will be secured by a first lien on all of the properties, and there are a number of restrictions protecting the holders.

Greenlock Company 7s. Company incorporated under the laws of Massachusetts in June, 1915, by one of the most important groups now existing in the textile industry. Company is a holding proposition owning stocks of a number of well-known textile manufacturing companies. Net income of the holding com-

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither The MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Atlantic Coast.—Earnings.—The income for 1919, after preferred dividends amounted to $2,401,587 or 3½ per cent. on the road's common stock. This figure is estimated on the basis of private operation, and managements instead of operation by the Government. —V. 25, N. 5, P. 335.

B. & O.—Income Statement.—Had the road been operated for its own, instead of Federal account, during the first eleven months of 1919, it would have earned, with other income computed on the basis of the company's estimate for the last six months of the year, at the annual rate of 38.6% of its fixed charges, similarly estimated. This compares with actual earnings of $5.67 a share on the common stock under Government compensation in 1918.—V. 25, Nos. 3, 4, 5 and 6, Pgs. 102, 250, 335 and 423.

Chicago, R. I. & Pacific.—Federal Contract Signed Earnings.—The company has executed the contract with the government which provides for an annual guarantee of $15,880,681. Based on the road's net income for the 11 months ended November 30, earnings per share on the 7% preferred stock would amount to 88c. for the whole year, had it been operated for its own instead of Federal account.—V. 25, N. 4, P. 251.

Erie.—Estimated Income for Year.—Based on estimate of other income and fixed charges the corporate balance available for the common stock for 1919 will equal $3.07 per share. Earnings from coal subsidiaries in 1919 are estimated at $3,500,000, against $4,500,000 in 1918, other non-operating income, at $725,000, and fixed charges, $13,947,500.—V. 25, N. 5, P. 335.

Pennsylvania.—To Complete Extension of Lines.—Earnings.—The company will finish $15,000,000 extension of lines to Detroit as soon as the government assures roads reasonable earnings to establish basis of credit. The company expects to operate into Detroit over Pere Marquette tracks soon after March 1. At the end of 1919 there was about $40,000,000 of work authorized by the government and uncompleted. Rumors concerning the road's intention to spend additional $100,000,000 for improvements, are without any foundation, according to President Rea. Gross earnings of the Eastern lines of the company for the first 11 months of 1919 increased to $345,812,671 from $334,189,657 in 1918. The net operating income for the same period amounted to $10,183,876 or $1.02 per share of common, compared with $19,416,998 or $1.95 per share in the previous year.—V. 25, Nos. 2, 3 and 5, Pgs. 70, 71, 163 and 336.

Lehigh Valley.—Pronounced Increase in Net.—Net operating income for November was $288,116 or 48c. a share of common, compared with $798,752 or $1.32 a share in 1918; the net income for 11 months was $3,580,154 or $5.92 a share, against $6,302,586 or $10.42 a share in the preceding year. The company's gross earnings remained fairly stable: gross for the first 11 months amounted to $59,085,659, against $59,692,726 in 1918.—V. 25, Nos. 2, 3 and 5, Pgs. 70, 162, 163 and 335.

Missouri Pacific.—Pronounced Decline in Net Earnings.—The road's net operating income for the first 11 months of 1919 amounted to $4,723,509 or $5.71 per share of common stock, compared with $11,011,667 or $13.30 per share in the preceding year. Gross for the same period increased to $84,920,780 from $81,498,804 in 1918, an increase of about 4%.

Pittsburgh, Cincinnati, Chicago & St. Louis.—Earnings Decrease.—Net operating deficit for the first 11 months of 1919 amounted to $171,471, compared with a net income of $3,740,308 in 1918. Gross earnings for the same period increased to $85,100,764 from $79,888,416 in 1918, an increase of more than 6%. While the gross earnings for November were practically the same as those for 1918, the net deficit for the month was $2,405,161, compared with $121,173 in the previous year.—V. 25, No. 3, Pgs. 163 and 164.

Southern Pacific.—Estimated Earnings for Past Year.—Earnings for 1919 will equal about $9.14 a share of outstanding common stock, estimated on actual net operating income for the first 11 months of the previous year, other income and estimated deductions of $28,021,318 leaving a net income for the stock of $27,607,702 against $27,687,804 in 1918.—V. 25, N. 4, P. 252.

Southern Railway.—Net Decreases Despite Increase in Gross.—The road's net operating income for the first 11 months of 1919 amounted to $8,913,114 or $7.43 per share of common, compared with $27,179,994 or $22.65 a share in the previous year. Gross earnings for the same period were $116,929,032, against $115,846,924 in 1918, or an increase of about 1%. The road's showing for November was also satisfactory; net income was $965,981 or 81c. per share of common, against $906,405 or 76c. per share in 1918. The gross for the month showed also an increase of more than 6% from the previous year.—V. 25, Nos. 3 and 5, Pgs. 164 and 336.

Texas & Pacific.—Pronounced Decrease in Gross Does Not Help Road's Net Earnings.—The net operating income for the period January to November, 1919, amounted to $3,287,997 or $8.47 per share of the outstanding common, compared with $3,424,335 or $8.85 per share in 1918. The gross for the same period increased to $32,598,691 from $24,241,738 in 1918; the net income for November was $211,996 or 55c. per share, against $295,057 or 76c. a share in 1918. Gross for the month increased more than 25% over the preceding year.—V. 25, No. 5, P. 336.

Wabash Railway.—Earnings Decrease. Not Affected by Lowered Tax Rate.—The net operating income for the first 11 months of 1919 was $747,073, or $1.26 per share of the outstanding common stock, against $3,238,507 or $5.47 per share for the same period in 1918; the gross earnings showed an increase of about 2% over those of last year. Despite the slight increase in gross for November, 1919 ($41,828), the net operating deficit for the month was $198,243, compared with a net income of $344,444 for November, 1918. Since the company failed to earn any taxable income, it would not be affected by the lowered tax rate.

Union Pacific.—Income Account. Outlook for 1920.—The road's net income for 1919 which is applicable to the common stock amounts to $27,763,000 or $12.49 a share, compared with $28,620,000 or $12.87 a share in 1918. The company's charges in 1920 will be increased by $1,200,000 over 1918, or a full year's interest on its 6% notes. Dividend income, unless Baltimore & Ohio resumes payments on its common, will show a loss of $162,000 on this account, but the most serious possibility confronting Union's other income is in connection with its investment of $22,500,000 in Illinois Central stock. On this road's operating showing in 1919, it could not long continue payment of its 7% dividend, but the expectation is nearly universal that freight rates will be substantially increased.

However large Union Pacific's outside investments may be, its own operations are of overshadowing importance and they have been conducted on a

very profitable basis for two years of Federal control. Thus, the company, if permitted to retain its own operating income, and carrying the same traffic, could not fail to make as good a showing in 1920 as in the two preceding years, in spite of any loss it might incur by reason of diminished dividend income.—V. 25, No. 4, P. 252.

INDUSTRIALS

American Bosch-Magneto.—Former Owners Sue for Return of Property.— The corporation's surplus available for dividends for the 11 months ended November 30, 1919, was $813,286, or $13.39 per share of outstanding common stock of 60,000 shares of no par value. It was also announced that 20,000 additional shares of the company's capital stock have been listed on the N. Y. Stock Exchange. Former owners of the company brought suit to recover the Bosch Magneto Co., said now to be worth $16,000,000, based on affidavits alleging that Palmer, then Alien Property Custodian, seized the concern unlawfully and sold it for $4,150,000 to an intimate business associate. The entire transaction the owners allege, was by fraud and duress.—V. 25, N. 5, P. 336.

American Hide & Leather.—Earnings Increase.—Net earnings for the second half of last year were $1,678,349, equal to $13.37 a share on the preferred, compared with $982,072 or $7.82 a share in the first six months of the previous fiscal year. Net current assets as of December 31, were about $110 a share on the preferred stock as all the outstanding bonds have been retired.

American Writing Paper.—To Advance Price.—An increase in the price of paper amounting to 20% has been announced by the company, taking effect January 19. The advance was no doubt caused by the advancing costs of raw materials and labor and the operating exigencies with which the fine paper industry is faced. This advance ought to help the earning capacity of the company which was not in a particularly strong financial position of late.—V. 25, N. 6, P. 375.

American Sugar Refining.—Production.—The company manufactured 27.02% of the total consumption of refined sugar in this country compared with 31.53% in 1918. The company supplied 22.37% of the total domestic use of refined sugar against 16.19% in 1918.

Armour & Company.—Segregation Begun. Subsidiary's Stock Offered to Preferred Shareholders.—Initial steps have been taken to segregate the company's leather and tanning properties by the formation of the Armour Leather Company. This is the first move toward separating business of the company in compliance with the agreement with the government. The first subscription to the stock of the new company were offered to preferred stockholders of the parent company of record on February 2. Holders of 6% debenture bonds of which about $24,000,000 are outstanding who converted their bonds into 7% preferred stock were also entitled to subscribe for the stock. In the 19 months since the issue of the debentures, about $36,000,000 have been converted into stock. Prior to the next interest date, June 15, when they are callable at par, the company may consider redeeming and paying off the Debentures then outstanding.—V. 25, N. 5, Pgs. 336 and 337.

Leslie's Weekly

The Snake on His Hearth

Bush Terminal.—Income Statement.—The company and subsidiaries report net income after charges and taxes of $1,063,670 or $15.57 a share for the 10 months ended October 31, 1919. This compares with $1,272,729 for the entire year of 1918. It is also stated that the N. Y. Stock Exchange has listed $152,300 additional common stock of the company, bringing the total outstanding common to $2,452,300 of $100 par value, which is part of an authorized issue of $5,000,000.

California Packing.—Estimated Earnings for 1919.—Gross earnings for the current fiscal year to end February 28, 1920, will probably be in excess of $70,000,000. The company is expected to turn out approximately 10,000,000 cases of canned fruit or about 50% in excess of the volume of business done the last three years. The company recently announced that it would redeem its $8,206,200 par of preferred stock at 115 and interest. The preferred is convertible into common on the basis of two shares of preferred for three of common, and it is learned that about 60 per cent. of the preferred stock has been deposited by investors for conversion into common. Inasmuch as the common dividend was put on a $6 annual basis recently, the owner of the 7 per cent preferred in converting two shares of preferred into three of common receives dividends 50 per cent. in excess of the payments on the preferred.

Crucible Steel.—Large Earnings.— After depreciation and tax allowance, the company earned for the first quar-

ter of the current fiscal year ended December 1, 1919, more than $3,000,000 or, at an annual rate of 36% on the outstanding common stock. Recent rumors to the effect that the company might be obliged to secure additional loans to pay alleged further taxes and penalties imposed by the Federal Revenue Department, are false and without any foundation. The demand for the output is much in excess of production. Foreign demand is large and output is approaching its maximum. The company also expects to complete and place in operation within the next 30 days its No. 2 blast furnace, and by July 1 its by-product coke oven plant. Construction of these units was started shortly before the close of the war as emergency measures to aid in supplying the special analysis steel needed by the United States and its allies. Operation of these additional units is expected materially to reduce the company's pig iron cost and place it among the lower cost producers of that product. The company is also about to start operations at its Norwalk, Ohio, plant which has been idle for over one year, and which has an annual capacity of about 20,000 tons of rolled and 3,000 tons of forged steel products.—V. 25, N. 3, P. 124.

Columbia Graphophone.—Closes Record Year.—The company is closing the biggest year in its history, sales having increased 100% from those of the preceding year.—V. 25, N. 4, P. 254.

Corn Products.—Statement on Dividends.—In inaugurating quarterly dividends on the common stock, President Bedford stated that the regular dividends will, from time to time, be increased by such extra quarterly dividends as profits warranted. This will be made possible owing to the fact that the company's net earnings (particularly by reason of lower taxes) will be greater than in 1918, despite losses by the shutdown caused by labor troubles, and because of the unprecedented demand of products from corn. Another thing to be considered is the great reduction of the company's mortgages, making the preferred stock practically the first charge on earnings.—V. 25, No. 5, P. 338.

Cuba Cane.—Increase in Production.—Grinding operations resulted in production which is well toward 400,000 bags of sugar, against about 107,000 bags at the same time last year. This is due to the increase in the number of grinding mills from 8 in 1918 to 11 in 1919. Since the company hopes to have far better facilities in moving its 1920 crop than in past years, when it was hampered by the inability to obtain ships, and since the saving of interest on floating debt, resulting from the sale of the new $25,000,000 7% convertible debentures, will go far to offset the interest on these bonds. The prospects of the company's stock appear very bright. Provided labor and weather conditions continue favorable,

total production this season is expected to reach 5,000,000 bags—V. 25, Nos. 3 and 5, Pgs. 164 and 338.

General Motors.—Listing of New Stock Requested. Foreign Business.— The company applied to the New York Stock Exchange to list $217,602,400 7% debenture stock, and 15,703,310 shares of its no par-value stock.

Negotiations are proceeding between the company and the Austin Motor Co. of England for the purchase of £1,000,000 of the latter's ordinary shares. The Austin company is one of the leading English motor concerns and is about to raise its capitalization to £5,000,000.—V. 25, N. 4, P. 254.

Gulf States Steel.—Earns 2% on Common. Bright Prospects.— In the past year the company earned about $200,000 applicable to $11,136,000 common stock after payment of preferred dividends and a $300,000 allowance for depreciation. This was at the rate of a little better than 2% on the common, or $1.76 per share. Interests close to the company are hopeful that the profit for 1920 will be about $6,500,000 or about $50 a share of common. A capacity volume of business, higher prices, larger output and reduced production costs are the factors expected to make this possible. The company's net quick assets on Jan. 7, 1920, were stated to be approximately $3,800,000. The company is making important improvements and plant extensions which are being financed from earnings. The labor situation with the company is generally satisfactory. Two of its three coal mines are operating and the third is getting under way on the company's terms. Officials of Gulf States are very optimistic over the outlook for 1920.

Lackawanna Steel.—Reports Deficit. Good Outlook.— The company's deficit in the last quarter of 1919 was well above $1,000,000 or almost enough to wipe out the aggregate earnings of the first three quarters of the year. The 1919 report therefore will, when issued, show only a very small net distributable for the common. At the present time the company is operating less than 50% of capacity because of the disruption of the organization by the strikes; improvement however is being steadily made, and officials have hopes of being able to operate 80%of capacity in a short time. Since orders on hand are very large, and the steel trade is now rushed with business and since prices are steadily rising, the company should enjoy a good year in 1920. The return of the railroads should also benefit the company appreciably, since 25% of its capacity is devoted to rails. Despite poor earnings in 1919 the 1½% quarterly dividend will be continued. The company will have a surplus of about $74 a share above dividends from 5 years' operations and a cumulative surplus of $31,000,000 or $90 a share on its stock, part of which can be used for payment of dividends.—V. 25, No. 5, P. 339.

Loew's, Inc.—Business Increase.— The attendance of the theatres of the company whose stock has been admitted to dealings on the New York Stock Exchange, has increased from 34,901,955 in 1917 to 53,450,458 in 1919; this figure will no doubt increase markedly within a short time due to the many additions which the company is planning. Construction has been started of a 16-story building on Broadway in New York City, to contain a large theater, and theaters in many other cities are also under construction. The consolidated statement of the company and affiliated organizations, for the three months ended November 30, 1919, shows net profits accruing to the company of $531,321, equal to 76c. a share on the capital stock.

Manati Sugar.—Raw Sugar Output.— In the year ended October 31, 1919, the company had an output of 507,366 bags of raw sugar, compared with 394,297 bags in the preceding year and 385,313 in 1917. The f. o. b. price per lb. obtained during the year was 5.645 cents, against 4.758 cents in 1918, including molasses sales and miscellaneous income. The cost of producing sugar on an f. o. b. basis per lb., was 4.035 cents against 3.315 cents in 1918. The existing scarcity of sugar which is favorable for an advance in prices promises to help the company's earnings considerably.—V. 25, No. 5, P. 340.

National Biscuit.—Earnings Increase.— For the year ended December 31, 1919, the earnings after deducting preferred dividends were equal to $12.36 a share on the $29,236,000 common stock compared with 11.62 a share in 1918. The company's surplus was swelled to $19,328,812 from $17,761,784 in the preceding year.

N. Y. Air Brake.—1919 a Disappointment. Outlook for the Future.— Expectations entertained early in 1919 that the company in that year would enjoy its most profitable 12 months, have not been borne out. Since adjustments of its munitions contracts with the Government have not yet been completed, profits derived from it will not be shown on the books, which will cause the net for the stock for the year to fall short of $1,000,000 required annually to meet the 10% dividends. However, the company's large surplus, equivalent to $65.96 a share at the end of 1918, will make possible the payment of dividends. The company's future will be more as an automobile than an equipment stock. During 1919 it went into the manufacture of motor trucks and is already turning out completed trucks. Recently it announced plans for the manufacture of a passenger car equipped with the Deepe superheater, which it is claimed will double mileage obtained from gasolene. The company will also sell the right to manufacture these superheaters on a royalty basis.

It is asserted that the company was so well equipped with tools that it was

able to begin the manufacture of motor trucks at an outlay of less than $100 for machinery. Its outlay for going into passenger car manufacture will also, it is said, be very small.

Pierce-Arrow.—Earnings Decrease.—Net profits of the company for the year just closed will be in the neighborhood of $2,300,000 after charges and Federal taxes. Deducting preferred dividends, the balance available for the 250,000 shares of common stock outstanding would be equal to about $6 a share. In contrast to most of the other motor car manufacturers, the company's showing is not so good as that of the previous year in which net profits were $2,765,741 after charges and taxes, or $7.86 a share on the common after preferred dividends. The fact that the company did not complete its Government work until last June is chiefly responsible for the lower earnings. The present financial condition of the company is strong. The borrowings are negligible and no new financing is being planned. It is not likely that earnings for the first quarter of the current year will make any great improvement, but, barring unforeseen developments, the results of the entire year should prove gratifying.

Republic Iron & Steel.—Balance Sheet.—From the company's balance sheet as of September 30, we note that the net undivided surplus for the year amounted to $1,238,941 or about $4 per share of common stock. The working capital of the company amounted to $13,876,696 or about $30 per share of total outstanding capital stock, compared with $18,498,082 or about $35 per share in the preceding year. The company's stocks and bonds issued amount to $65,552,000 against a property account of $90,764,934.—V. 25, N. 4, Pgs. 255 and 256.

Savage Arms.—Record Earnings.—Preliminary statement for the year ended Dec. 31, 1919, of the Savage Arms Corp. shows surplus after charges, all taxes and preferred dividends of $1,496,684, equal to $19.28 a share earned on the $7,763,000 average amount of common stock outstanding during the year, as compared with $1,336,275, or $16.79 a share, on the $7,958,000 stock outstanding in 1918.

Shell Transport & Trading.—Pays Dividends on American Shares.—Under an agreement made August 28, 1919, Equitable Trust, as depository of certain ordinary shares of the company, has received a dividend on the ordinary stock it holds of 74c. per share of £1 par value. The dividend was distributed on February 3 to registered holders of the American shares of record January 27, who have filed the necessary income tax certificates on or before that date.

S. S. Kresge.—Sales for 1919 Larger.—Total sales of the company for 1919 were $46,668,152, an increase

of 17.6% over the preceding year. The company now operates 188 5, 10, 25 and 50c. stores (fifteen years ago there were only 4 stores in the system), extending two-thirds of the way across the continent. Kresge has had in force a liberal policy of expansion during the last two years, despite business conditions which existed during that period.

United Drug.—Yearly Earnings.—From early reports issued by the company it appears that earnings for the past year were as high as $6,000,000, or about $18 a share on the 300,000 shares of common stock, after all charges and taxes.

U. S. Rubber.—Advances Prices. Past Year Best in Company's History.—Effective January 1, the company advanced the prices of mechanical goods 15%, and the prices of footwear from 12½% to 15%. It is very probable that the price of tires will also be advanced in the near future. This will add considerably to the earning capacity of the company which did unusually good business during the past year. Earnings for 1919 were well over $20,000,000 or $28 a share on the $72,000,000 common stock outstanding. This compares with net earnings, after all charges and taxes for the preceding year, of $16,072,041, or $30.80 a share on $36,000,000 common, then outstanding. The cumulative surplus of the company was at the end of the year, about $44,000,000, or more than $60 a share, exclusive of all dividends. The company's working capital on June 30, 1919, amounted to $112,597,971, against $100,221,440 on December 31, 1918.

PUBLIC UTILITIES

American Tel. & Tel.—The company's net earnings for the past year amounted to $44,377,865 or $10.04 per share of common, compared with $439,013.22 or $10 a share in 1918. The balance available for reserves and surplus was $9,021,531 or $2.41 a share against $8,671,623 or $1.97 per share in 1918. —V. 25, Nos. 4 and 6, Pgs. 257 and 394 (Art.).

Brooklyn Edison.—Earnings.—For the 10 months ended October 31, 1919, the company showed net income of $1,130,564 or $6.53 a share. The gross operating income for the same period amounted to $8,571,987 compared with $8,768,038 for the entire preceding year, and $8,304,412 in 1917.—V. 25, N. 6, P. 426.

B. R. T. to Operate I. R. T. Line.—Commissioner Delaney has ordered the Interborough Rapid to make the changes necessary in the construction of its line in Queens county to enable the Brooklyn Rapid Transit Co. to operate its cars over the line. The new service is expected to be inaugurated in April.—V. 25, Nos. 4 and 6, Pgs. 257 and 424.

Commonwealth Power.—Subsidiary to Issue New Securities.—The company's subsidiary, the Consumers Power Company, is seeking permission to issue and sell $18,585,000 additional bonds and stocks, in an application to the Michigan P. U. Commission. The proceeds from the sale of the new issues will be used to fund a floating debt and to provide funds for increasing plant and equipment to the extent of $13,623,000 to be expended this year. This amount will be used largely in Flint, Jackson, Battle Creek, Saginaw and on a new electric generating plant at Milwaukee on the Saginaw River and on new transmission lines. The company also seeks authority to issue preferred and common stock to acquire a like amount of Michigan Light Co. preferred and common outstanding, and also for authority from time to time to issue its bonds to refund existing bond issues.

Detroit Editon.—Debenture Holders Offered Privileges. Yearly Earnings.—Conversions of the 10-year 7% debenture bonds were to be made into stock of the company at par on and after January 15, 1920.

Holders of the stock so secured will have the right of all stockholders to subscribe to the extent of 20% of their holdings, at par, for the new issue of 7% convertible debentures, series of 1930, to be issued March 1, 1920, to all stockholders of record February 4, 1920.

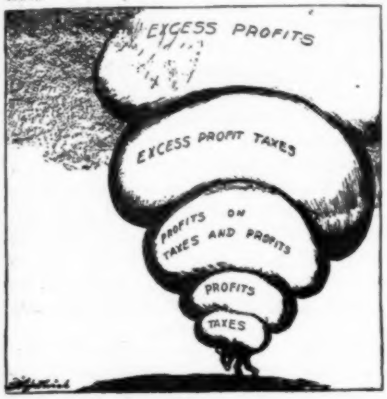
The company's net income for the year ended November 30, amounted to $2,551,053 or $9.95 per share of outstanding common, compared with about $14 in the preceding year.—V. 25, N. 5, P. 341.

Detroit United.—City Plans Competition.—The Mayor of Detroit has asked the Common Council to place before the voters on April 5, a proposal for a $15,000,000 bond issue for the construction of a 218-mile municipally owned and operated street railway system. The new line will in no way be dependent upon the Detroit United System.

Eastern Massachusetts St. Railway.—Losses Through Jitney Service. Improved Outlook.—The jitney problem has been one of the most serious facing the company. Efforts to secure relief by negotiation from the unfair jitney competition have been useless. It is estimated $1,000,000 a year in gross revenues measured cost of jitney competition on the lines. Substantial operating economies have been effected and revenues increased, so with another year, with the new legislation, the company should show earnings for its stock issues.

The new legislation mentioned above refers to the 3 important measures passed December 23: (1) regulation of jitneys by local authorities; (2) relieving street railways from payment of excise tax for 2 years; and (3) authorization of cities and towns served

by the company to contribute to cost of service up to $2 per $1,000 of valuation.



St. Louis Post-Despatch

The Ultimate Consumer's Load

I. R. T.—Justice Weeks Dismisses Charges of Strike Conspiracy. Traction Inquiry.—An Extraordinary Grand Jury has dismissed the charges made by Mayor Hylan that there had been a conspiracy between officers and employers of the company to foment the strike last summer and also a conspiracy to intimidate public officials in order to obtain a higher fare.

It was also revealed at the Board of Estimate's recent inquiry into the traction situation that in the last 16 years the company had paid 187½% in dividends to its stockholders. In 1915 the company declared a dividend of 20% and had a surplus of $20,000,000 besides. Even in the first quarter of last year, when the road failed to make a profit, a dividend of 5% was paid. According to a high official the gross receipts of the subway lines had increased from $400,000 to $450,000 a month during the last 12 months, and the loss on the elevated lines would be about $1,500,000 less than it was for the fiscal year ended June 30, 1919. Costs of operating are declining excepting wages. The official also said that the company's estimated losses for the next two years should be discounted at least 60%, that the *outlook was good,* and that the city cannot force the company to sell its property.—V. 25, Nos. 4 and 6, Pgs. 257, 258 and 397 (Art.).

Kansas City Railways.—Higher Fares Granted.—The company has been authorized by the Federal District Court to increase its fares in Kansas City, Kan., from 6 to 8 cents. The higher charge is already being collected on the lines of the company.

Vanadium Corporation.—To Increase Capital.—The company's capital stock was increased from 300,000 to 500,000 shares of no par value, 93,334 shares of the newly-created stock will be issued for the purchase of Primos Chemical Co., Primos Exploration, and Primos Mining & Milling. Stockholders of record January 21, 1920, will have the right to subscribe to the new issue at $45 a share, on a basis of one new share for each three now held.

Willys-Overland.—Income Statement.—The net income of the corporation for the period September-December, after making provision for Federal taxes, is reported as $1,656,998 or $1.06 per share of outstanding common of $25 par value.—V. 25, N. 4, P. 257.

Woolworth Company.—Sales Increase.—The December sales brought the total for 1919 up to about $119,500,000, which is an increase of about $12,500,000, or about 12%, as compared with total net sales in 1918. Based on this figure the net surplus for the year should be about $1,100,000, or $2.20 per share of common, compared with $981,507, or $1.96 per share in 1918. The increase is chiefly due to the holiday buying but also to the greater popularity of the stores.

Massachusetts Gas.—Earns Dividends on Common. Organizes New Concern.—According to President Richards, there will be a substantial surplus after paying the 7% common dividend. The company recently organized the Beacon Coal & Export Corporation, owning 45% of the stock; the remaining 45% and 10% are owned by large coal operators and bankers respectively. The capitalization of the new corporation will be 10,000 shares of common stock, $100 par value.—V. 25, Nos. 4 and 5, Pgs. 257 and 341.

MINING NOTES

American Smelting.—Another Advance in Prices.—Once more, the third time within the last few weeks, the company advanced the price of lead from 8.25c. a pound to 8.50c. Estimated on the basis of the company's production of lead in its 14 leading lead smelters, this means additional gross earnings of about $1,083,000.—V. 25, Nos. 4 and 6, Pgs. 258 and 426.

Calumet & Arizona Mining.—New Shaft Completed.—The Campbell shaft at Bisbee, has been completed and promises to become one of the main working shafts of the company. It lies about 3,300 ft. from the Briggs and 2,700 ft. from the Junction and is connected with the former by a crosscut on the 1,300-ft. level and the latter by the 1,400-ft. drift.

Kennecott Copper.—Subsidiary Increases Output.—Mother Lode Copper, a subsidiary of the company, produced 1,200,000 pounds copper in December, compared with 1,100,000 in November and 750,000 in October. Costs in November and December averaged less than 10c. per pound. The company's management intends to increase production to a point where Mother Lode can produce 1,500,000 pounds of copper a month.

Pond Creek Coal.—Sales of Properties nearing Completion.—Negotiations between the company and Semet Solvay Co. for sale of former's coal properties have not yet reached the point where it can be said the sale will positively be effected. A price has already been set on the coal area. Its asset value, coal tonnage and other necessary data have been given the Semet Solvay Co. and it remains for the latter to decide whether it wants to buy at the price named. The price asked by Pond Creek is equal to around $35 a share on its stock. Semet Solvay is a New York corporation with an authorized capital of $20,000,000 of $100 par, of which $16,971,400 is outstanding. The company pays 8% dividends on its stock which has a large equity and an excellent salability.—V. 25, N. 4, P. 260.

United Verde Extension.—Production for 1919 Greatly Reduced.—The company's output for the past year was 28,986,488 lbs., compared with 55,527,916 in the preceding year, a decrease of more than 98%. This was caused mainly by the shutdown of the company's smelters from February 14 to June 9. The outlook for the future seems brighter chiefly because of the steadier demand for copper metal from domestic and foreign sources.

Silver King of Arizona.—Good Outlook.—President Hillebrand states that construction is progressing favorably and that "big things" at 600 level are expected to be reached before the end of the present month. Crosscut to ore bodies should be completed about the middle of next month. A strike in the new shaft of native silver indicates that the ore chimney covers a much larger zone than was indicated by the old workings. This we believe is the beginning of more rapid and important development. Silver King has completed 600 ft. shaft where 4 inch vein was struck running 188 oz., worth $240 to the ton.—V. 25, Nos. 2, 3 and 5, Pgs. 77, 169 and 343.

OIL NOTES

Associated Oil.—Purchases New Interests.—The company has purchased Nevada Petroleum Co., with 32 producing wells. While the book value of the property acquired is about $2,500,000, Associated is understood to have paid much less than this sum. This ought to add somewhat to the attractiveness of the stock earnings on which have been going steadily since 1914. V. 25, N. 3, P. 169.

Atlantic Lobos.—Bright Prospects.—The company for the past few days has been operating the first 10,000 barrel unit of its refinery at Port Lobos, Mexico, and it is expected that the second 10,000 barrel unit will shortly be placed in operation. It is estimated that the Company's refinery profits should average about $1 per barrel. The company is also starting drilling operations on its Aguada tract comprising 72,000 acres on which some of the largest live oil see pages in Mexico have been found.—V. 25, N. 6. P. 406.

METEX PETROLEUM.—Plans and Properties.—The company, which was organized in 1919 under the laws of the state of Delaware with a capital of $5,000,000 of $5 par value, owns through subsidiaries and trustees, oil and gas leaseholds on 131,695 acres, distributed in Texas, Arizona and Mexico. The company has been formed for the acquisition and development of proven sections of oil fields, and acreage in districts where active development for oil and gas is now under way, and is doing all its own drilling.

SIMMS PETROLEUM.—To Construct New Pipe Line. Acquires New Interests.—Directors of the company approved the construction of a 300-mile standard eight-inch pipe line from the Homer field properties to Tidewater, New Orleans. Work is to be started immediately. Construction cost is estimated at about $5,000,000. The company has taken over control of the Milliken Refinery at Arkansas City, Kan., through lease and acquisition of a substantial block of its stock. This is one of the most complete and modern refineries in the U. S. and is connected by its own pipe line, 20 miles long, with the Blackwell oil field where the Milliken owns valuable producing properties. It is also connected with the pipe lines of the Gulf Oil Corporation and the Empire Oil & Gas Company. Simms also takes over the company's operating and marketing organization, 500 tank cars and a large amount of steel storage.

This acquisition will provide Simms with an additional outlet for its crude oil, amounting to about 7,000 barrels a day, on most favorable terms and will also enable it to secure a large participation in the refining profits on its own oil. Circulated reports of salt water invasion in the company's fields in Louisiana are greatly exaggerated, since tests showed only the normal amount of moisture in the wells.—V. 25, Nos. 2 and 5, Pgs. 78 and 345.

SKELLY OIL.—Acquires New Interests.—The company has purchased the valuable Russell holdings in the Beggs district, Oklahoma, for more than $1,000,000. Property includes 7 leaseholds with considerable production.

STANDARD OIL COMPANY OF OHIO.—Increases Capital. Income Account.—The company will hold a special meeting January 12 for the purpose of increasing the authorized capitalization from $7,000,000 to $21,000,000. Of the new stock, $7,000,000 will be common stock to be issued by directors from time to time. The remaining $7,000,000 will be 7% cumulative preferred, and is to be offered to holders for subscription, share for share, at par, $100, payments to be made in full March 1, 1920, or quarterly payments on the first of March, April, May and June next. Books for the transfer of common stock will close December 31 and reopen February 9.

For the 6 months ended June 30, 1919, the company shows net profit, after taxes, of $2,081,598, equal to $29.73 a share on the $7,000,000 stock, compared with $36.89 a share in the entire preceding year.

SUPERIOR OIL.—Excellent Prospect for Year.—Although 57.64% of the company's earnings have been put back in the property for betterments and new drilling, the inauguration of regular quarterly dividends which have been amply earned was announced, amounting to $2 a year; initial payment of 50c. a share will be made March 1, to holders of record February 17.

With the improvement of the organization, with drilling plans for the year well under way, and with the unparalleled demand for petroleum, the company looks forward to 1920 as the banner year in the oil industry.

TRANSCONTINENTAL OIL.—To Operate in Roumania.—The company has closed a contract for a large acreage of proven oil territory in the heart of the Rumanian field intermingled with that of the Standard Oil Company and the Dutch Shell. Negotiations are under way for refineries that have been constructed but have been closed down during the war. Equipment for drilling operations has been secured and preparations for extensive developments are being made by representatives of the company now on the ground. Announcement is also made that drilling operations have again been started on a large scale in the Ranger field because of the recent completion of the company's pipe line. This pipe line is 100 miles long and runs into the refinery at Fort Worth from the Caddo, Desdemona and Burkburnett fields. The Rumanian Government owns and operates all pipe lines in that country, so that the company will not have to construct pipe lines.—V. 25, N. 6, P. 375.

WHITE OIL.—Reports of Salt Invasion in Wells Exaggerated.—President P. J. White stated that published reports of invasion of salt water in the Homer field of Louisiana are greatly exaggerated, particularly as regards the upper part of the structure. Tests made in a number of wells showed only the normal amount of moisture, namely 1-10 of 1% to 3-10 of 1%. The situation is not at all unusual and should not cause any anxiety concerning wells in the Homer field.

UNLISTED NOTES

DAFOE-EUSTICE.—In Hands of Receivers.—The Security Trust Company of Detroit has been asked to act as receiver for the company, if the remaining creditors do not object.

The present situation was no doubt caused by the company's financial arrangements being insufficient to take care of its needs at a time when it was unable to secure raw material to fill orders on its books. The railroad embargo, the steel strike, the coal strike and delayed deliveries all combined to make such an abnormal condition of affairs so that it was impossible to meet the obligations on time. With reasonable co-operation of its creditors all payments are expected to be made. In the meantime negotiations are under way to refinance the company, which will relieve this condition, when completed.

EMERSON PHONOGRAPH.—Capital Increase.—Stockholders on December 15, 1919, authorized an issue of $500,000 8% cumulative preferred stock. Proceeds of new financing are to be used to provide working capital needed to finance new business, as well as to prepare for the manufacture of an Emerson Phonograph. The company contemplates largely increasing its production.

Sales of the Emerson Phonograph Co. for the last four years, inclusive, compared as follows: 1917, $590,435; 1918, $801,379; 1919, $1,159,451; 1920 (last 4 months estimated) $3,000,000. At the present time the company is 1,000,000 records behind in its deliveries and total unfilled orders are increasing daily. Additional production as planned is expected to triple the company's 1919 business.

GILLETTE SAFETY RAZOR.—Offers New Stock.—The company's working capital will be increased by offering to shareholders of record January 30, 25,000 shares held in the treasury at $100 each, in the ratio of one new share for 10 old ones. The increased capital is to be used for the company's program of expansion.

HODGMAN RUBBER.—Pays Initial Preferred Dividend.—The company declared a dividend of $1.13 a share on its preferred stock, payable February 1, to holders of record January 15. This is at a rate of 8% and covers the period from December 12 to February 1, 1920. The company's common stock of 50,000 shares has a present book value of $124. Average earnings for the last 4 years will amount to about $7 a share on the common. The company has no funded debt and its stock may be considered an attractive business investment.

LINCOLN MOTOR.—New Stock Offer.—A syindicate has been formed to offer in the near future the class "A" shares of the company. The proceeds will be used to increase the company's working capital in developing its new car. Capitalization now consists of 160,000 class "A" shares of $50 par value and 160,000 class "B" shares of no par value.

MACON TIRE & RUBBER.—Income Account.—Sales of the company for the year ending October 31, 1919, amounted to $3,468,858, with net profits of $223,705, or $2.60 of total outstanding common stock of $10 par value, an increase of 50% over the preceding year. Sales for the year ending October 31, 1918, were $2,324,144, with net profit of $203,436.

In the last few months the company has opened 10 additional direct factory branches in the U. S. and now has 18 branches in operation. The company expects to reach $7,000,000 sales in the present fiscal year.

MERRIMAC CHEMICAL. — Balance Sheet.—From the company's bal-

ance sheet as of September 30, we note that the working capital at that time amounted to $3,842,134, or more than $50 per share of $3,528,000 outstanding common stock of $50 par. The cumulative surplus rose to $2,329,673, or $33 per share, against $2,098,932, or about $30 per share in the preceding year. The company is one of the oldest chemical companies in the country, having been founded in 1853. It owns extensive plants at Woburn and South Wilmington, Mass., and the entire plant, assets and good will of the Cochrane Chemical Company at Everett. The company has an unbroken record of dividends. Since incorporation it has paid 7% annually up to and including 1907, with 1% extra in 1901.

ORIENTAL NAVIGATION COMPANY.—Stock Offering.—The company is offering $2,000,000 first preferred 8% cumulative sinking fund convertible stock and 6,000 shares of common stock without par value. The securities are being sold in blocks of 10 shares of first preferred stock and 3 shares of common, for $1,000. The entire proceeds are to be placed in the treasury of the company, which was formed to take over the properties and business of the Oriental Navigation Corporation, which operates a fleet of 28 freight ships aggregating 183,000 tons, in the South American and European trade. Net tangible assets are in excess of $180 for each share of first preferred stock to be outstanding. The new company will have an authorized capital of $10,000,000 each of first 8% cumulative and second 8% non-cumulative preferred stock and 200,000 shares common. H. M. Byllesby & Co. will purchase a substantial interest in the company and be represented in its directorate.

OHIO BODY.—Has Large Unfilled Orders.—The company has $4,800,000 of unfilled orders on its books, which represents a year's gross business. During February the company will enter its new plant and by March 1 body production will be doubled. Late in the spring activities in another new plant will start, so that by July 1 the company should reach desired capacity of 30,000 bodies per annum.

For the past year sales were $1,875,000 with estimated profits of $200,000 or $2 for each share of the 100,000 shares now outstanding.

The Chain Stores

THE following paragraphs were accidentally omitted from the closing section of Mr. Morrow's article on the "Chain Stores," issue of Jan. 24, page 370:

In connection with the policy of capitalizing good will, the asset values of the common stocks at the end of 1918 are of more than passing interest. Computations show net asset value of Woolworth common at the end of 1918 to have been $32 a share after deducting good will of $50,000,000; Kresge, $138 a share, a company which shows no account under the name of good will in its balance sheet,

but which has an account entitled "leaseholds, organization, etc.," of $5,989,408. Kress common had a net asset value of about $30 a share, with good will, leaseholds and organization at $12,000,000; Jones Bros. Tea, $92 a share on the preferred, with good will and trademarks, $10,571,000; McCrory, $41 a share, good will of that company being carried at $4,000,000.

According to the balance sheet as of December 31, 1918, United Drug showed net current assets equal to about $7.50 a share on the $20,500,000 common then outstanding after deducting $23,496,576 carried as trade marks, patents, formulæ, processes, leaseholds and good will. Such an account is not strictly all good will, and of course many of the items included undoubtedly have substantial tangible value to the company, and this must necessarily qualify the asset value of the common.

While it would not do to make the broad statement that the chain stores are in for a period of "unequalled prosperity," to use an overworked expression, they all seem to be fairly comfortable as regards earning power and do not appear to have overextended themselves. In more senses than one the chain store business with its corollaries is growing, is of established character, and has the double virtue of appealing to customers in times of prosperity and high cost of living, as well as attracting trade when wages are lower and economy is again a virtue with those who have been enjoying the advantages of the upward bounding wage. But the shares of the leading companies are not on the "bargain counter" just at present.

The New-Book Letter

In this column in each of the future issues of THE MAGAZINE OF WALL STREET we shall give a list of all the new books on business, finance and investment that are published each week. All these titles are on sale by THE MAGAZINE OF WALL STREET.

CAUSES OF THE WAR (THE)—by Robert Earl Swindler, Head of the Department of History Humboldt State Normal School, Arcata, Calif.

An outline study of the World War and final peace negotiations.

Price $1.85 postpaid.

ESSENTIALS OF BUSINESS LAW (THE)—by Francis M. Burdick, Dwight Professor of Law in Columbia University Law School.

Although published as a text book, this work will be found of handy reference for business men.

Price $2.10 postpaid.

FREE TRADE, THE TARIFF AND RECIPROCITY—by F. W. Taussig, Henry Lee Professor of Economics In Harvard University; Chairman of the United States Tariff Commission.

A discussion of the problems of tariff, reciprocity arrangements, etc., as effected by the new conditions resulting from the war. Price $2.10 postpaid.

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Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
8%	Am Drug S ($10).	4 %S	1- 7	2-28
10%	A La Fr F E, c ($10)	2½ %Q	2-10	2-16
3%	Am Linseed, c....	¾ %Q	3- 1	3-15
7%	Am Radiator, p....	1¾ %Q	2- 7	2-16
12%	Am Radiator, c....	3 %Q	3-22	3-31
....	Am Radiator, c ext.	4 %	3-22	3-31
7%	Am Railways, p....	1¾ %Q	2- 6	2-14
7%	Am Sumatra Tob p.	3½ %S	2-14	3- 1
$4	Anac Cop ($50)...	$1 Q	1-17	2-24
6%	At. T & S Fe, c.ss	1½ %Q	1-30	3- 1
4%	Balt & Ohio, p...ss	2 %S	1-17	3- 1
8%	Borden Co, c.......	4 %S	1-31	2-14
8%	Brooklyn Edison...	2 %Q	2- 6	3- 1
10%	Burns Bros. c......	2½ %Q	2- 2	2-16
7%	Canada Cement, p.	1¾ %Q	1-31	2-16
7%	C. S P, M & O, p ss	3½ %S	2- 2	2-20
5%	C. S P, M & O, c.ss	2½ %S	2- 2	2-20
6%	Cities Serv, p B...	½ %M	2-15	3- 1
6%	Cities Serv, p......	½ %M	2-15	3- 1
6%	Cities Serv, c.......	½ %M	2-15	3- 1
....	Cities Serv, c ext.e	1¼ %	2-15	3- 1
8%	Col Fuel & Iron, p.	2 %Q	2- 5	2-20
$3	Col Fuel & Iron, c.	75c Q	2- 5	2-20
5%	Colum Gas & Elec..	1¼ %Q	1-31	2-16
16%	Com Swift Int($15)	8 %S	1-20	2-20
7%	Consol Cigar, p....	1¾ %Q	2-14	3- 1
[illegible]	Dayton P & Lt, c.a	4 %	2- 2	2-10
[illegible]	[illegible] United Ry.	2 %Q	2-15	3- 1
7%	[illegible] steel. 1st p.	1¾ %Q	3- 1	3-15
7%	Eastern Steel, 2d p.	1¾ %Q	3- 1	3-15
4%	Eisen.(O) & Bros, c	1 %Q	1-31	2-15
5%	General Asphalt, p.	1¼ %Q	2-14	3- 1
7%	General Cigar, p..	1¾ %Q	2-24	3- 1
[illegible]	[illegible] (B F), c.	1 %Q	2- 5	2-16
....	[illegible] (B F) [illegible] ext.	½ %	2- 5	2-16
7%	Herc[illegible] p.	[illegible]	2- 5	2-14
$8	Ind P Line ([illegible])	[illegible]	1-2[illegible]	2-14
....	Ind Pipe Line, ext.	$2	[illegible]	2-14
8%	Inland [illegible]	2 %Q	2-10	3- 2
$8	Kel-Sp Tire, 8% p.	$2 Q	2- 2	2-16
[illegible]	L of Woods Mill, p.	[illegible]	[illegible]	3- 1
12%	[illegible]	[illegible] %Q	2-2[illegible]	3- 1
12%	Lig & Myers Tob, c.	3 %Q	[illegible]	[illegible]
7%	Louis & Nashville.ss	3½ %S	1-10	[illegible]
$2	Miami Copper ($5).	50c Q	2- [illegible]	2-16
$1.[illegible]	Middle St Oil ($10)	[illegible] M	2-20	3- 1
....	Middle St Oil, [illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Mont Lt, Ht & P [illegible]	[illegible] %Q	[illegible]	[illegible]
5%	Mont L H & P [illegible]	[illegible]	[illegible]	2-15
$3.50	Nat Acme ($50)	.8[illegible]	2-14	[illegible]
7%	National Biscuit, p.	[illegible]	2-14	[illegible]
7%	National Lead, p.	[illegible] %Q	[illegible]	[illegible]
5%	New York Dock, c.	2½ %	[illegible]	[illegible]
4%	Norf & W[illegible] p.	[illegible]	[illegible]	2-19
6%	P G & E [illegible]	[illegible]	1-31	2-16
6%	P G & E [illegible]	[illegible]	1-31	2-16
7%	Penmans, Ltd. c....	1¼ %Q	2- 5	2-16
12%	[illegible] Plate Glass, p.	12 ½A	2-12	3- 1
....	[illegible] Pl Glass, c ext.	5 %	2-12	3- 1
7%	Pittsburgh Steel, p.	1¾ %Q	2-14	3- 1
6%	Pitts & W Va. p...ss	1½ %Q	2- 2	2-28
20%	Proc & Gamble ($20)	5 %Q	1-24	2-14
8%	Pu[illegible] Car[illegible]...	2 %Q	1-31	2-16
6%	[illegible] Cats. [illegible]...	1½ %Q	2- 2	2-28
[illegible]	[illegible]ing Co, c ([illegible])	$1 Q	1-22	2-12
[illegible]	Sears Roebuck, c...	2 %Q	1-31	2-15
6%	Sloss-Sheff S & I. c.	1½ %Q	1-30	2-10
12%	Stand Oil of Ind..	3 %Q	2- 2	3-15
....	Stand Oil of In. ex	3 %	2- 2	3-15
12%	Stand Oil of Kan..	3 %Q	2-28	3-15
....	Stand of Kan, ext.	3 %	2-28	3-15
$4	St-War.c(no par).fh	$1 Q	1-30	2-15
$1	Sub Boat (no par).	50c S	1-31	2- 7
$8	Superior Steel, 1st p	$2 Q	2- 2	2-16
$8	Superior Steel, 2d p.	$2 Q	2- 2	2-16
6%	Tobacco Products, c	1½ %Q	2- 2	2-16
....	Twin City R T, c.	2½ %	2- 9	2-20
7%	Union Tank Car...	1¾ %Q	2- 5	3- 1
....	U S Rubber, c ext.e	12½ %	2- 5	2-19
7%	U S Steel, p......	1¾ %Q	1-31	2-28
5%	U S Steel, c......	1¼ %Q	2-27	3-30
8%	Woolworth(F W), c	2 %Q	2-10	3- 1

a—Initial dividend.
e—Payable in common stock.
fh—Initial dividend on new stock.
ss—Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.
x—Declared payable in stock.